US telecommunications

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Radicals fight for control of ANC

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Japanese investment

Setting up stalls in Asian bazaar

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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY APRIL 20 1993 D8523A

Fire destroys compound of religious cult

Fire yesterday ripped through the Waco, Texas, compound where religious zealot David Koresh and his cult members have been barricaded for 51 days. The fire, which the White House said was deliberately started by the cult, raised fears that they might have been attempting mass suicide or mass escape from the FBI agents who have been surrounding them. As the blaze raged, the FBI agents tried to rescue the 95 cult members still inside. At least 20 were said to have left the compound. Earlier the FBI had tried to end the siege by firing teargas into the compound.

The Bank of Japan was standing by to intervene in foreign exchange markets this morning to try to curb the yen's rise against the US dollar which threatens to harm Japanese export growth. It is thought the BoJ is preparing to defend a rate of Y110 to the dollar. **Page 18; Money supply, Page 6; Currencies, Page 36**

Sick and wounded flown from Srebrenica:

British and French helicopters from the UN force airlifted more than 100 sick and wounded people from the besieged Bosnian town of Srebrenica. They were taken to Tuzla, where a French soldier (left) is pictured carrying a wounded boy to an ambulance. Meanwhile UN peacekeepers in Srebrenica asked the Bosnian Serbs to extend Wednesday's deadline for disarming Moslem forces. **Page 18; Tuzla short of food, Page 2**

US-British air routes: Britain and the US have set themselves a one-year deadline to replace the rules on air traffic between the two countries. UK transport secretary John MacGregor and Federico Pena, his US counterpart, agreed to reconvene talks on the rules next March.

Malaysia has reached outline agreement with local businesses and Britain's North West Water to build and run a M$5bn-plus (US$1.9bn) sewerage scheme. **Page 19**

Chrysler, the US carmaker which is pulling out of financial difficulties, underscored the success of its latest models with first-quarter earnings of $530m compared with a $231m loss for the same period last year. **Page 19**

UK growth: Chancellor of the exchequer Norman Lamont delivered his most upbeat assessment for months of UK economic prospects. He predicted Britain would grow faster than other European economies this year and next. **Page 18**

Call for cuts: The European Commission called for a 2 percentage point cut in short-term EC interest rates, increasing pressure for an easing of German monetary policy. **Page 2**

Strike looms in eastern Germany: Eastern Germany's steel and electrical sectors moved nearer to an all-out strike on May 3 after powerful engineering union IG Metall decided to hold ballots in support of pay claims. **Page 18**

Chase Manhattan: The big New York bank involved in restructuring turned in higher first-quarter earnings. It also revealed plans to raise $750m of new equity capital while writing off $1bn of commercial property loans. **Page 19**

Istanbul stocks plunge: Stock prices crashed more than 10 per cent in Istanbul following the death of Turkish president Turgut Ozal at the weekend. Commentators tipped prime minister Suleyman Demirel for the presidency. **Page 2**

Hong Kong plan rejected again: China repeated that Hong Kong governor Chris Patten's political reform proposals could not form the basis of long-awaited talks due to start between London and Beijing on Thursday.

Fatah man killed: *Gunmen firing pistols with* silencers murdered Ibrahim Abdel Magid Turkiyeh, an official of Palestine Liberation Organisation chairman Yassir Arafat's Fatah group, in southern Lebanon. **Hopes rise for talks, Page 6**

Nigerian jets attack convoy: Nigerian jets attacked a relief convoy in north-east Liberia. No one was injured. The convoy was bound for Ganta, the Liberian enclave controlled by rebel leader Charles Taylor.

Wedding day: Japan's Imperial Household Agency decreed June 9 the day for crown prince Naruhito's wedding to former career diplomat *Masako* Owada.

■ STOCK MARKET INDICES

FT-SE 100:	2830.0	(+5.6)
Yield	4.03	
FT-SE Eurotrack 100	1164.59	(+4.98)
FT-A All-Share	1387.43	(+0.1%)
Nikkei	20,112.34	(-185.52)
New York lunchtime		
Dow Jones Ind Ave	3460.78	(-17.63)
S&P Composite	446.17	(-2.77)

■ US LUNCHTIME RATES

Federal Funds:	$2\frac{15}{16}$%
3-mo Treas Bills: Yld	2.879%
Long Bond	$104\frac{13}{16}$
Yield	6.745%

■ LONDON MONEY

3-mo Interbank	$6\frac{1}{16}$%	($6\frac{1}{8}$%)
Liffe long gilt future:	Jun $105\frac{21}{32}$	(Jun $105\frac{3}{8}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (June)	$18.835	(18.67)

■ Gold

New York Comex (Apr)	$340.3	(339.9)
London	$339.65	(338.85)

■ STERLING

New York lunchtime:		
$	1.539	
London:		
$	1.5395	(1.5265)
DM	2.4625	(same)
FFr	8.3175	(8.3225)
SFr	2.26	(2.2525)
Y	171.0	(171.75)
£ Index	80.1	(80.0)

■ DOLLAR

New York lunchtime:		
DM	1.6005	
FFr	5.40625	
SFr	1.4675	
Y	110.9	
London:		
DM	1.5895	(1.6135)
FFr	5.4025	(5.4525)
SFr	1.4685	(1.476)
Y	111.0	(112.6)
$ Index	64.0	(64.6)

Tokyo close Y 111.00

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Italians vote decisively to change poll system

By Robert Graham in Rome

ITALIAN voters yesterday responded to the country's deepening political corruption scandal by voting overwhelmingly for a change to the way they elect their politicians.

Exit polls in the country's referendum estimated the vote in favour of replacing a system of proportional representation with a system of majority voting for the Senate at 81 per cent. This was much higher than predicted by the polls and by Mr Mario Segni, the leader of the referendum movement.

It effectively ended the system of proportional representation that has produced 51 unstable postwar coalition governments.

The latest referendum was Italy's ninth since the war, and included eight separate issues. The most important of these was introducing a first-past-the-post system for 238 of the 315 Senate seats, the remaining 77 still being covered by proportional representation.

The referendum result underlined the demand by an impatient electorate for rapid political change and electoral reform. A separate question on ending public funding of political parties was endorsed by more than 90 per cent of voters, according to exit polls. Illicit funding of political parties has been the main element in the corruption scandals.

Although the referendum on electoral reform concerned only the 315-seat Senate, the outcome will have a direct impact on the way in which the 630-seat Chamber of Deputies will be chosen in future elections.

"This is a victory for all Italians," said an exultant Mr Segni, who has emerged as a key figure ahead of a difficult period which must see agreement on a new government and the precise nature of electoral reforms.

Mr Giuliano Amato, the Socialist prime minister, met President Oscar Luigi Scalfaro just before polling closed yesterday afternoon. He said holding the referendum had ended the main duty of his four-party coalition, formed last year and including Christian Democrats, Socialists, Social Democrats and Liberals.

But the government is not expected to resign until after a parliamentary debate due to begin tomorrow Wednesday and wind up on Thursday. By throwing the onus on to parliament, the president is hoping to obtain the broadest possible consensus on the future scope and composition of the next government.

Parliament and party leaders must decide between two options. Either they back Mr Amato to head a new government; or they accept that only a new figure, untainted by the scandals, can have the moral authority to carry out electoral reform.

The next government's main task will be to produce new electoral laws on which the country can go to the polls.

Yesterday Mr Umberto Bossi, leader of the populist Lombard League, called for such laws to be introduced in the next three months. But many politicians predict it would be difficult to agree in time for an autumn poll.

The most controversial item – depenalising drugs for personal use – received by far the lowest vote, only 54 per cent.

The Christian Democrats campaigned hard but unsuccessfully to prevent the abolition of the ministry of agriculture, a key source of their patronage. The ministry's functions will be transferred to the regions.

Abolition of the ministry of state shareholdings, another referendum issue, has in effect already occurred. The other two matters approved were the removal of environmental issues from the control of local health authorities and an end to political control over appointments to the savings bank boards.

End looms for councillors, Page 3

Police teargas and rubber bullets send crowds in Soweto scurrying for cover before yesterday's funeral of ANC leader Chris Hani

Restraint marks Hani funeral

Six killed, including one by police, during day of mourning, **Patti Waldmeir** reports from Boksburg

SOUTH AFRICA last night appeared to have pulled back from the brink of disaster after the funeral of Mr Chris Hani, the slain black leader, provoked few significant incidents of violence.

No event in South African history – not even the release from prison in 1990 of Mr Nelson Mandela, African National Congress leader – has inspired such emotion and mobilised such large crowds.

ANC marshals battled to control 80,000 mourners who packed a soccer stadium near the black township of Soweto and the tens of thousands who drove in a funeral cortege to the white cemetery where Mr Hani was buried.

Peace monitors said most of the 100,000 people who participated in the day's events were restrained, with only 200 to 400 youths involved in violence. The monitors had feared the funeral, the largest of many in the history of the liberation struggle, could spark a big explosion of violence.

But in spite of stone throwing, arson and looting, the toll of dead and injured was much lower than *expected. Six people were* reported to have died with one of them killed by police. Three others were killed by shots fired from a migrant workers' hostel, the sort of incident which occurs almost daily in the low-intensity war between the ANC and the Inkatha Freedom party, its main black political rival.

Before the funeral began, 19 people died overnight in the black township of Sebokeng, deaths which the ANC blamed on the so-called *"third force"* linked to the government security apparatus. Main motorways around Johannesburg were closed for two hours at midday as hundreds of cars and buses travelled to the Elspark cemetery near the multiracial suburb where Mr Hani lived and died.

The motorways were strewn with broken glass for miles, as mourners broke the windows of overcrowded buses. They hung from windows and doors and *clung to the roofs and bonnets of* buses which crept along the highway toward the cemetery. Some were injured when they fell to the road.

Outside the cemetery, a handful of armed members of the the far right Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement) looked on as a uniformed honour guard from Umkhonto we Sizwe (Spear of the Nation), the ANC army, paraded outside the graveyard. But most white residents kept a low profile.

Inside the cemetery, Mr Hani's burial was marked by volleys of gunfire from the crowd, as individual mourners joined in with the 21-gun salute fired by the Umkhonto honour guard. Mourners sang a dirge, Hamba Kahle Umkhonto, the traditional hymn to a fallen liberation fighter.

Speeches by ANC leaders at the funeral and by President F.W. de Klerk in parliament illustrated *the deterioration in relations* between the two parties since Mr Hani's death.

Mr Mandela and Mr Joe Slovo, chairman of the South African Communist party, delivered militant addresses which blamed the murder on the government. Mr Slovo twice asked the crowd: "Who killed Chris Hani?", inviting the reply which he received: "F.W. de Klerk."

The president warned that the spate of killings which had followed Mr Hani's death (which did not exceed the normal weekly average for 1993) could ignite a race war.

With whites more despondent and fearful than at any time in the past, Mr De Klerk condemned the ANC's planned six-week campaign of mass protest action, saying it would "set the stage for further violence".

He refused an opposition request to suspend parliamentary debate until after the Hani funeral.

Eurotunnel accuses TML of blackmail

By Andrew Taylor, Construction Correspondent, in London

BRITISH and French construction companies were yesterday accused of blackmail in threatening to delay the opening of the Channel tunnel in support of longstanding claims for extra payments.

Eurotunnel, which will operate the tunnel, said that delays in opening meant that it could have to raise up to a further £850m ($1.28bn) by the end of 1995.

Eurotunnel said the delays meant that the forecast cost until opening had risen since last autumn by £300m to £8.4bn. This compared with an original forecast for the cost of the project made in 1987 of £4.8bn.

Sir Alastair Morton, Eurotunnel's chief executive, said he could not forecast when the project would open. This depended upon the willingness of contractors to co-operate in the testing and commissioning of the tunnel railway which was largely built.

The opening date has been postponed several times from the original target date of May 15, this year. Sir Alastair said: "Only a few a weeks ago contractors

Continued on Page 18

France cuts interest rates as franc shows modest rise

By David Buchan in Paris

FRANCE yesterday pulled off a double coup, after months of monetary rigour, when it cut its official interest rates and saw the franc rise on the foreign exchanges.

But the Bank of France's cuts in its intervention rate from 9.10 to 8.75 per cent and in its 5-10 day repurchase rate from 10 to 9.75 per cent, reflected recent declines in domestic money market rates. Further French rate cuts, essential to reviving France's stalled economy, would have to follow similar moves by the Bundesbank, economists here agreed.

Mr Edmond Alphandéry, the finance minister, hailed the "very favourable" performance of the franc which closed at a rate of FFr 3.378 to the D-Mark. But he acknowledged this was due to the fact that yesterday's official interest rate cuts just "consolidated" movements on the money markets since the centre-right *came into government last* month. Mr Alphandéry was speaking after an EC finance ministers' meeting in Luxembourg, which discussed the idea of a European growth initiative which France first launched nearly a year ago.

Later today Mr Edouard Balladur, the prime minister, is due to put the finishing touches to a draft statute to give the Bank of France autonomy in monetary policy. At the weekend, he indicated that one possible difficulty had been resolved by his decision to leave responsibility for supervising commercial banks with the French central bank, in contrast to the system in Germany where banking control does not lie with the Bundesbank.

But when he holds his first meeting with German chancellor *Helmut Kohl* in Bonn on *Thurs*day, Mr Balladur will able to press his case for closer Franco-German co-operation by arguing that France is well along the institutional road towards a German-style monetary policy.

There was little public reaction to yesterday's interest rates cuts, which were largely discounted by the markets, although the timing surprised some observers. Shares on the Paris bourse in fact fell slightly. Bank economists *pointed out that it would take a* bigger drop in interest rates to persuade French investors to start switching their savings out of money market funds into equities, but that such a switch was necessary for the big privatisation programme planned by the Balladur government.

CONTENTS

Brussels turns up heat on Bundesbank

By Lionel Barber in Luxembourg

THE European Commission called yesterday for a 2 percentage point cut in short-term European interest rates, stepping up pressure on the Bundesbank to ease German monetary policy to stimulate economic recovery.

Mr Henning Christophersen, European Commission vice-president, told EC finance ministers in Luxembourg that if such a cut was followed by a 1 percentage point reduction in long-term rates, growth in the EC would increase by 0.7 per cent.

Germany had earlier successfully blocked inclusion of Commission growth predictions in an 88-page report on the EC's new "growth package" published yesterday. The package is an action plan by member states to use supply-side measures to stimulate economies.

Mr Theo Waigel, German finance minister, said interest rates in Germany were coming down gradually. "If everybody [in the EC] had similar policies, everybody would have similar interest rates."

The polite criticism of German policy was echoed by Mr Norman Lamont, UK chancellor of the exchequer, who said interest rates were too high to be compatible with a recovery. Mr Edmond Alphandéry, the new French finance minister, said lower rates were the *sina qua non* for growth in Europe.

The growth package unveiled yesterday is the culmination of a six-month Commission campaign for member states to shift from current to capital spending, pursue wage restraint and take advantage of modest Community powers to lend to small and medium-sized businesses.

Mr Christophersen valued the package at Ecu35bn (£27.89bn) – a mixture of national measures, extra private investment generated by lending by the European Investment Bank and a new European Investment Fund. An estimated 450,000 new jobs were likely to be created in 1993 and 1994, while growth was likely to be 0.6 points higher next year than the present forecast of 1.75 per cent.

However, doubts remain about the package's value.

Mr Christophersen was unable to give a precise breakdown between member states' contributions and Community-led efforts. He also left open the possibility of revising downwards the Commission's forecast of 0.75 per cent growth in the EC this year.

But ministers stressed the package shows member states are able to act collectively – a point underscored by the presence of finance ministers from the European Free Trade Area at yesterday's meeting.

The Commission also hopes the package will persuade the US and Japan to stimulate their economies at July's G7 meeting in Tokyo.

A German postman ponders how to deliver mail to the headquarters of the German steel employers in Cologne after angry steelworkers from the east of the country bricked up the main entrance during the night

EBRD to tighten budget process

By David Marsh and Robert Peston

THE European Bank for Reconstruction and Development yesterday agreed to tighten its budgetary procedures after pressure from its directors, who represent the countries and international agencies that own it.

An EBRD board meeting, attended by all 23 directors, yesterday laid down new procedures for preparing the 1994 budget. A director said that the most important change was that the budget-making process would begin in July, several weeks earlier than last year.

In addition, the board's audit committee was directed to examine, in the next four to six weeks, allegations that the bank's £55.5m budget for fitting out its new London headquarters was excessive. The committee's investigation will include an examination of the £1.25m spent on marble for the building, which includes £750,000 for replacing existing marble.

A number of directors were also concerned that the bank's control of administrative costs had not been tight enough. From April 1991 to the end of last year, the EBRD spent more than £200m on its running costs and fitting out its building.

The bank's president, Mr Jacques Attali, will today meet Mr Theo Waigel, the German finance minister and chairman of the EBRD's governors, in Bonn.

An EBRD director said he "could not imagine" that Mr Waigel would ask Mr Attali to resign. He added that although Mr Waigel did not want to ignore German public opinion supporting tight control of the bank's costs, he was anxious to avoid any public blood-letting ahead of the bank's annual meeting later this week.

Germany's stance on the EBRD is particularly sensitive in view of Mr Attali's close links to President François Mitterrand. Any suggestion that Bonn was seriously displeased with Mr Attali's stewardship of the bank could have deep repercussions on the Franco-German relationship.

Mr Waigel and Mr Attali are expected to concentrate on discussing the general operations of the bank, rather than going into detail on the allegations of EBRD overspending.

Czechoslovak divorce costs both sides dear

Business suffers as barriers go up, writes Patrick Blum

THREE months after their divorce, the Czech and Slovak republics are struggling to cope with the costs of separation.

Bitter rows about assets and liabilities, differing economic and political aims, and a raft of new regulations have all served to disrupt severely the business that once flowed freely between the two.

Czech sales to Slovakia represent about a quarter of all its exports, while the Czech Republic takes about 40 per cent of Slovakia's exports. Officials expected bilateral trade to fall by around 10 per cent, but in January alone it declined by more than half.

Companies complain of long delays and extra costs caused by new customs and clearing regulations.

The monetary union under which the two states were to share a common currency came to an abrupt end in February. A clearing agreement using the Ecu as the benchmark currency for calculating payments between the two states failed to halt a sharp decline in bilateral trade. The Slovak crown has been devalued by 5 per cent and the Czech crown revalued by 2 per cent against the clearing Ecu, raising the cost of Czech goods for Slovak companies.

Current projections suggest bilateral trade could fall 30-40 per cent this year, threatening to postpone economic recovery after two years of sharply declining output. Economists estimate that a 10 per cent fall in bilateral trade will cause a 1 per cent drop in Czech GDP, and twice that for Slovakia.

Faced with a collapse of eastern markets, both countries have redirected their trade westwards, mainly to Europe. Last year, about 70 per cent of Czech and Slovak exports were sold in the west, but further inroads into western markets for exports of traditional products, from steel to textiles, are facing growing obstacles.

Imports are outpacing exports and the recession in Europe is reducing export opportunities. The downturn in Germany, now the Czech Republic's largest single customer absorbing 30 per cent of its exports, as well as its biggest investor, is viewed with mounting concern in Prague.

Czech and Slovak industrial associations, say government suggestions that companies should switch sales from each other to other markets are unrealistic, and would result in a loss of domestic market share to foreign companies.

However, the collapse of markets in eastern Europe, Czechoslovakia's partition into two smaller markets, and Prague's focus on western Europe without the benefits of EC membership, may have reduced the Czech Republic's attractiveness as a manufacturing base.

Prague insists low labour costs, a skilled labour force, and its location in the heart of Europe provide an ideal base for foreign investors, but the lack of incentives may act as a deterrent.

Slovakia, for its part, is desperately courting foreign investors, and recently unveiled substantial tax incentives. Its economy has been more affected by the collapse of traditional markets and its unemployment rate stands at 11 per cent, compared with the Czech Republic's 3 per cent.

According to patchy, and at times contradictory figures, foreign investment was $1.6bn and $270m in the Czech Republic and Slovakia respectively in 1990-1992.

But last month's decision by Mercedes to abandon plans for a joint venture to make trucks in the Czech Republic was a worrying signal. The company said it was no longer interested in the venture because the break-up of Czechoslovakia had made access to eastern Europe more difficult. Several other large investments have either fallen through (Dow Chemicals), are being revised downwards (Siemens) or are locked in endless negotiations (Iveco/Fiat).

No one in Prague is willing to hazard a guess at the possible number of bankruptcies that could follow the introduction of a new Czech bankruptcy law this month, but with figures for inter-company debts running at more than Kcs 200bn ($7.1bn), the fear is that there will be a wave of business failures. Slovakia has so far postponed its own bankruptcy law.

Russia attacks UN vote on Serbia

Churkin critical but warns Bosnian Serbs to accept peace plan

By Andrew Gowers in Moscow

RUSSIA yesterday criticised the United Nations Security Council for showing undue haste in tightening sanctions against Serbia at the weekend. It also warned that western military intervention against the Serbs might risk provoking an all-out Balkan war, with grave consequences in Russia and elsewhere in Europe.

Mr Vitaly Churkin, deputy foreign minister and President Boris Yeltsin's special envoy, told a news conference in Moscow that the Security Council's decision on Saturday to bar all commerce with the rump Yugoslavia from April 26 had reduced the chances of achieving a peaceful settlement of the Bosnian conflict.

"We are concerned at certain military thinking and some diplomatic talk about strikes and blows in Bosnia," he said in an oblique reference to proposals mooted in the US and by Lord Owen, the European Community mediator, that UN forces should step up the pressure on the Serbs by bombing their supply lines.

"The international community should decide: does it want a war in the Balkans or an international settlement?" he asked.

Later Mr Andrei Kozyrev, the foreign minister, said a meeting of Security Council foreign ministers to discuss the sanctions issue could be held in either Sarajevo or besieged Srebrenica. He also voiced unease at the UN vote to tighten sanctions against Serb-led Yugoslavia.

Mr Churkin combined his warnings against further punitive action by the UN with a fresh appeal to the Bosnian Serbs to accept the Vance-Owen peace plan without delay, and with an "absolute minimum" of proposed changes.

While he admitted that they had some legitimate concerns about the proposed map of Bosnia-Hercegovina, under which the country would be divided into 10 largely autonomous cantons, they could not expect to restart the negotiations from scratch. "In the next few days you must reach a settlement or you will suffer a defeat that will be a tragedy for the Serbian people," he said.

The Russian government abstained in Saturday's vote, as did China. It had been hoping that a vote on the new sanctions resolution could be delayed until next week for fear of undermining President Boris Yeltsin's position in the April 25 constitutional referendum.

In explaining the position, Mr Churkin trod what has come to be a customarily delicate line for Mr Yeltsin's government between appeasing conservative critics at home, who urge all-out Russian support for the Serbs, and seeking to calm fears in the west that Russia is on the verge of breaking ranks on the Yugoslav conflict.

Asked by a hostile Serb questioner at yesterday's news conference why Russia had not vetoed the Security Council resolution, Mr Churkin replied bluntly: "Russia has its own foreign policy priorities. It will not enter a confrontation with the international community just because agreement cannot be reached on a map of Bosnia-Hercegovina."

Foreign policy analysts in Moscow agree that western concerns about Russia's attitude to Bosnia are probably overdone. "Almost nobody's interested in Serbia here, but the opposition is playing it up to make things difficult for the administration, and the administration has to bow to that," said Mr Sergei Karaganov, deputy director of the Institute of Europe and a presidential adviser on foreign affairs.

Kohl caution over military intervention

By Ariane Genillard in Bonn

CHANCELLOR Helmut Kohl of Germany yesterday warned that military intervention in former Yugoslavia would not bring an end to the war and could lead instead to further bloodshed.

"A full military involvement, as some are calling for... will not bring a solution to the conflict in former Yugoslavia which has historical roots," Mr Kohl said.

"In light of the chaotic situation in Bosnia-Hercegovina, one can fear a higher death toll for both the civil population and the international military forces there," he added.

Mr Kohl said he fully supported the resolution of the UN Security Council to apply tougher sanctions against Serbia. He also favoured suspending Serbia's membership of international organisations.

The chancellor reiterated that, for historical reasons, German soldiers would not participate in military activities in former Yugoslavia.

"The presence of German forces would serve the Serbian war propaganda and would worsen the situation and the international peace efforts," he said. A Nazi-backed regime was set up in Croatia during the second world war.

Germany is prevented by its constitution from sending soldiers to territories outside the Nato area, although Mr Kohl and his party, the Christian Democratic Union, want greater German participation in UN peacekeeping operations.

At the weekend, Mr Klaus Kinkel, foreign minister, also warned that air bombardments would lead to an escalation of violence. "The risks could be incalculable. The situation and the security of Unprofor [UN protection force] soldiers must above all be looked after," he said. Mr Kinkel also called for the withdrawal of all diplomats from Belgrade.

Tuzla has little food left for thousands of refugees expected from Srebrenica

Aid blocked as Croats turn on Moslems

By Laura Silber in Belgrade

FIERCE fighting between Croat and Moslem-led Bosnian forces in central Bosnia paralysed key aid routes yesterday, and further undermined the prospects of the hard-pressed Moslem forces, already reeling from the virtual loss of Srebrenica in the east.

Relief officials said the fighting had nearly depleted stocks of food in Tuzla, in north-eastern Bosnia, which is preparing for the arrival of tens of thousands of starving refugees from Srebrenica.

Diplomats say Croat forces are now trying to establish unchallenged control over parts of central Bosnia and Hercegovina.

The clashes between the former allies forced British United Nations soldiers based in Croat-held Vitez, 60 miles northwest of Sarajevo, to seek shelter from shells exploding near their camp.

Amid conflicting reports which could not be independently confirmed, each side blamed the other for the outbreak of fighting. Bosnian radio said the Croatian Defence Council (HVO), the military wing of the self-styled Croat state of Herceg-Bosna, had fired on surrounding Moslem villages. Croatian radio said Moslems detonated a car bomb in Vitez that killed many civilians.

UN officials in Vitez say the fighting over the past four days has left some 150-200 people dead and scores wounded.

A car bomb did explode near a mosque in Vitez on Sunday, killing three civilians and seriously wounding eight people, officials said. Six others were slightly injured. Many houses in the old part of Vitez were badly damaged by the blast.

Main aid route

Fighting between Bosnian Croats and Moslems broke out around Vitez and surrounding villages on Friday.

According to Mr Laurens Jolles, a senior official of the UN High Commissioner for Refugees: "It can threaten the survival of people in Zenica. It has become extremely difficult to deliver food because of the clashes." Bosnian radio said 13 people had been killed and 30 wounded yesterday when Bosnian Croat forces launched an artillery attack on Zenica. Hina, the Croatian news agency, claimed six soldiers had been killed and a number of civilians hurt in a Moslem attack on Croat-held Kiseljak just outside Sarajevo.

The renewed fighting shattered a strained alliance patched up in January by Lord Owen and Mr Cyrus Vance, the international mediators. Its eruption did not surprise members of the mainly Moslem Bosnian forces, following as it did a Croat ultimatum.

The HVO order demanded Moslem soldiers withdraw by April 15 from provinces designated as "Croat" under the Vance-Owen plan. That plan divides Bosnia-Hercegovina into 10 provinces roughly along ethnic lines.

Diplomats say Croat forces have taken advantage of international outrage about the Serb onslaught on eastern Bosnia. They moved last week to cement their control over parts of Bosnia-Hercegovina.

While Serb forces have expelled or killed hundreds of thousands of Moslems in eastern Bosnian, their Croat counterparts have done the same on a smaller scale further west. Supported by the armies of their neighbouring patron states, they are pitted against the Moslems in an intention to divide up Bosnia-Hercegovina.

Ozal death sends share prices plummeting

PRESIDENT Turgut Ozal's death at the weekend sent shares tumbling on the Istanbul stock exchange yesterday and spurred dollar buying on fears of a political crisis, Reuter reports from Istanbul.

The index, which hit an all-time high on Friday, sank 767.23 points or 10.45 per cent to 6,574.14. "This is the biggest slump in the history of the stock exchange," said broker Mr Bulent Yanaray at Pay investment house. "There is uncertainty over the stability of the government. I hope the parliament acts fast to select a new president."

Mr Ozal's death also stimulated dollar buying, forcing the central bank to intervene several times to halt its surge. Brokers expected stock market turmoil to continue, albeit less intensely, until nominations for the presidency are put forward during a 10-day period from next Tuesday. Parliament will then have until May 27 to choose a new president in up to four rounds of voting.

Turkish newspapers yesterday named Mr Suleyman Demirel, the prime minister, Mr Minister Erdal Inonu, his deputy, and Mr Husamettin Cindoruk, the parliamentary speaker, as possible candidates.

See World Stock Markets

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End looms for Rome's councillors

By Robert Graham in Rome

ATTEMPTS to keep alive the city of Rome's administration, already battered by corruption scandals, suffered a serious setback yesterday. This time it was the turn of Milan magistrates to take their investigations to the capital.

Two councillors were advised by Milan magistrates they were under investigation for alleged corruption over contracts connected with Acea, the Rome municipally owned electricity entity. Five arrest warrants were also issued for former members of the Lazio regional council and former members of the Acea board.

Last night, as a result of these arrests, the Lazio administration resigned.

One of the Rome councillors, Mr Mario Gionfrida, a right-wing independent, tendered his resignation. At the same time Mr Franco Carraro, the Socialist mayor of Rome, commented: "It looks as though the game is up and we will have to dissolve."

Among Italy's big four cities affected by corruption scandals, Rome alone has avoided the collapse of its administration. In recent weeks Mr Carraro has blocked a move by a reformist group to back a new Green mayor, but has been struggling vainly to find a consensus for further rule by his discredited Socialist-Christian Democrat alliance.

The Milan magistrates' investigations follow confessions from politicians who have collected money on behalf of political parties from companies supplying Acea and Rome's municipally owned transport company, ATAC. They are said to have been taking a 5 per cent commission on such contracts.

Italy's industrial production fell 5.1 per cent during February compared with the same month in 1992, writes Robert Graham.

Figures released yesterday by Istat, the national statistics institute, showed production fell 7.7 per cent during the first two months of 1993 against the same period last year when there were two extra working days.

The worst affected sectors continued to be engineering and transport, followed by textiles and clothing. The only area where production did not decline was foodstuffs. Despite lower production, Confindustria, the industrialists' association, believes the first modest signs of an export-led recovery are beginning to appear.

As a sign of the way Rome's local politicians were accustomed to treat kickbacks, the Socialist party issued a statement expressing solidarity with two of their colleagues alleged by the Milan magistrates' investigations to have collected L35m-L40m (£15,000) in 1988-90. "This is an amount which in Rome serves only to produce two manifestos on a couple of occasions."

Rome has been affected by the investigations less than Milan, Turin and Naples. It is thus significant that the new push in Rome comes from Milan, raising once again delicate issues of the territorial competence of investigations. The main Rome investigations are into Anas, the state road building authority, the misuse of overseas aid funds, and fraud in subsidiaries of Efim, the state industrial holding now in liquidation.

Finnish economy 'over the worst'

By Christopher Brown-Humes in Helsinki

FINLAND IS over the worst of its economic problems, Mr Esko Aho, the country's prime minister, said yesterday.

He cited a 24 per cent increase in exports in February and a 4 per cent rise in industrial production since the beginning of the year as evidence that recovery had begun. Finland has been in deep recession since 1990, with gross domestic product falling by 10 per cent last year and the year before.

"We are on the way up," claimed Mr Aho, who viewed the 5 per cent rise in the value of the markka since Easter as a clear indication of improving sentiment.

Finland has benefited from a surge in exports after a 40 per cent currency depreciation since November 1991. Recovery has also been helped by a halving of interest rates to from 17 per cent last autumn.

Mr Aho added that "on the basis of current trends, the balance of payments should be back in equilibrium next year". But, on a gloomier note, he predicted that Finnish unemployment, which currently stands at 18 per cent, would continue at a high level.

Alan Harper

Safe harbour: the government insists a Yes vote will let Denmark find an anchor in the European Community

Danes suffer attack of nerves

Hilary Barnes on the Maastricht referendum countdown

IT'S GOING to be a Yes this time – so said the Copenhagen taxi driver.

But his assertion came with more conviction than is mustered by the country's political leaders and businessmen, who got it badly wrong last year when voters ignored their advice and refused to approve the Maastricht treaty on European union in a June referendum.

A new referendum will take place on May 18, and although the opinion polls so far have shown a comfortable majority in favour of union, there are still many voters who are undecided. A Gallup poll published over the weekend showed 47 per cent in favour, 30 per cent against and 23 per cent undecided or not intending to vote. A poll a week earlier showed 45 per cent for and 29 per cent against.

With four weeks to go to the referendum a Yes vote seems a near certainty. But politicians and businessmen are careful not to anticipate a result. Stung after last year's lacklustre campaign for the treaty, the government is leaving less to chance and is mounting an energetic campaign in the final stretch.

The vote will be on the Maastricht treaty as modified for Denmark at the Edinburgh summit. This permits the country to opt out of some of the key programmes, defence, the third phase of economic and monetary union, supranational legal co-operation and "union citizenship". The anti-Maastricht forces, dominated by the predominantly left-wing June Movement, argue that the electorate will be voting on exactly the same issues as last year and that the Edinburgh agreement makes no difference as the treaty's text has not changed. "Maastricht is not the solution, it's the problem," says Mr Jens Peter Bonde, Euro MP and one of the June Movement's leading figures.

But seven of the eight parties in the Folketing which endorsed the Edinburgh agreement believe the May vote is "on a new basis" and is "for something different".

Their arguments seem to be winning. Gallup asked voters who have switched from a No to a Yes vote why they had changed their minds. Some 30 per cent said it was because of the Edinburgh deal, 23 per cent because they were better informed, and 15 per cent because they thought a Yes vote would be good for the economy.

The opinion polls should give considerable comfort to supporters of Maastricht for two other reasons.

First, the polls are regularly showing substantial support for Maastricht; last spring they showed the race was neck and neck. However, some polls have indicated an increase in undecided voters at the expense of the Yes vote.

Second, the polls show a majority for the treaty among supporters of the country's largest political party, the Social Democrats.

In last year's referendum, when the Social Democratic party was in opposition, its supporters voted by 60-40 against the treaty.

This spring, perhaps because the Social Democrats returned to government at the head of a four-party coalition in January, polls indicate majority backing for the treaty among the party's supporters; in a poll at the end of March, 47 per cent backed the treaty and 30 per cent opposed it.

A notable difference of this year's campaign is that Prime Minister Poul Nyrup Rasmussen is being more emphatic in warning voters of the dangers of a No vote.

Last week he said a second No would be tantamount to telling Europe that Denmark did not want to remain a member of the Community. In the long run a No vote would mean Denmark withdrawing from the EC.

However, as Mr Anders Knutsen, chief executive of the television and audio equipment maker Bang & Olufsen and a prominent supporter of the Yes vote, noted, the campaign to date has been muted. This is partly because the voters appear tired of a subject which has dominated the headlines for more than a year.

But this does not mean the Social Democrats have remained passive, according to Mr Ove Fich, who is organising the party's Maastricht election campaign. The emphasis is on small, local meetings – dozens of them every week – which appear to be more effective than the roar of expensive advertising. The pro-Maastricht Europe 2000 organisation, a non-party group supported by many prominent Danes, has adopted the same strategy.

It is, of course, not too late for the voters to surprise the establishment again. But it seem unlikely – so much so that British bookmakers will no longer accept bets on a favourable outcome.

Sanctions may follow if Kantor and Brittan fail to reach agreement

US and EC start new trade talks

By Nancy Dunne in Washington

US INDUSTRY representatives were anxiously watching for signs yesterday that Mr Mickey Kantor and Sir Leon Brittan, the top trade officials of the US and EC – who began a two-day meeting in Washington – would make progress in efforts to eliminate tariffs on a wide range of products.

There has been little news out of preliminary meetings held over the weekend between Mr Warren Lavorel, the US Gatt co-ordinator, and Mr Hugo Paemen, the chief EC trade negotiator.

Much could depend on the outcome of the dispute over the EC Utilities Directive, which, the US argues, makes it difficult for US companies to win telecommunications and electrical equipment contracts. A settlement could produce momentum in the multilateral procurement talks in Geneva and in the Uruguay Round of talks as a whole.

Failure to reach agreement, followed by US sanctions against EC companies, might dampen the mood, although US officials say they will try to segregate the issue from the rest of the round.

On the market access package, agreement was reported to be near on pharmaceuticals, medical equipment and construction equipment. However, the question of including scientific and agricultural equipment must still be aired.

The talks on forest products have been in some trouble. The EC has complained about export restrictions of logs from the US, Malaysia and Indonesia, making elimination of the restrictions a condition to reduce or eliminate tariffs.

This was "a red herring" as far as the US is concerned, said Mr Stephen Lovett, of the National Forest Products Association. US logs were of "little economic significance" to the EC, although Indonesian exports were more of a problem.


Kantor


Brittan

Chemical tariffs are also at issue, with the EC disagreeing about some exceptions the US wants to take. The Community also could demand more from American "donor industries" – those such as textiles, ceramics and glassware which will be forced to give up tariff protection.

Mr Lovett and Mr William Lane, government affairs representative for Caterpillar, stressed the necessity of producing "a major market access package" containing a "very strong zero tariff component", to make the Uruguay Round of talks saleable to Congress.

"Overnight the business attitude would change from ambivalence to enthusiasm," Mr Lane said.

Caterpillar and other big US equipment makers face tariffs of 4-10 per cent in most developed countries and over 15 per cent in developing countries.

"It's difficult to offset the extra burden of import tariffs," the company said in its proposal to reduce tariffs to zero on construction equipment, diesel engines, lift trucks, and industrial gas turbine engines.

Italtel in Greek mobile phone deal

By Haig Simonian in Milan

ITALTEL, the Italian state-controlled telephone equipment group, and Ericsson Fatme, the Italian subsidiary of Ericsson of Sweden, have won a L100bn (£41.4m) order to supply mobile telephone equipment for the new second network in Greece.

The concession to operate the Greek system, based on the new GSM standard, was won by the Italian state-controlled Stet telecommunications group last August.

Stet is also the main shareholder in Italtel.

Italtel and Ericsson will supply Stet-Hellas. Stet's Greek operation, with a full turnkey mobile communications package over the next two years. The contract envisages preliminary coverage of the main areas of demand, notably Athens and Salonica, in the country within the first year. The network will be subsequently expanded gradually to cover most of the Greek mainland and the main islands.

● Saipem, the drilling and construction subsidiary of Italy's Eni state energy and chemicals group, has won a contract worth over L200bn to lay an undersea gas pipeline in the South China Sea between Hong Kong and the Hainan oil fields.

The 707km pipeline, commissioned by the US Arco oil group, will supply gas for electricity generation in Hong Kong.

Saipem said the deal had helped push new orders in the first four months of this year to L678bn, slightly ahead of the L650bn in the same period last year.

The company has recovered sharply in the past year from the crisis in the industry, with turnover of about L2,000bn in 1992, allowing a return to profits after three consecutive years of losses.

China prepares foreign trade law

CHINA, striving to improve its trading rules to bolster its attempt to rejoin the General Agreement on Tariffs and Trade, has finished drafting its first foreign trade law, Xinhua news agency reported, Agencies report from Beijing.

Yesterday, the China Daily quoted Ms Wu Yi, minister of foreign trade and economic co-operation, as saying China hoped to increase foreign trade to $200bn (£132.4bn) by 1995 and enter the ranks of the world's top 10 trading countries. It was the world's 11th largest trader in 1992 with a volume of $165.6bn, ahead of Taiwan, Singapore, and South Korea but behind Hong Kong, Xinhua News Agency recently reported.

Xinhua quoted Ms Wu as saying the law was an effort to develop trade based on international norms.

It will soon be submitted to the Standing Committee of the National People's Congress, the parliament, for deliberation after being approved by the State Council, or cabinet.

Other laws relating to foreign trade such as anti-dumping and subsidies were also under consideration.

China is anxious to rejoin Gatt to protect its booming trade, now about 40 per cent of gross national product. But it must first satisfy the US it has established a market economy that does not distort trade with unfair subsidies or secret regulations. US negotiators last month dashed Beijing's hopes of an early return to the world fair trade body by saying China was refusing to make concessions.

China was a founder member of Gatt in 1948 but quit the following year after the Communist revolution. It is keen to rejoin before Taiwan, which has a strong case to support its application.

The minister said China would try to diversify its markets, paying greater attention to countries in the Commonwealth of Independent States, eastern Europe, Latin America, the Middle East and Africa, Xinhua reported.

Japanese turn attention to a burgeoning Asia

Michiyo Nakamoto on a manufacturing powerhouse and growing market

JAPAN'S Mitsubishi Motors, Aiwa, the audio manufacturer, and YKK, the world's leading maker of fasteners, have this month all unveiled plans to expand production in Asia.

Last week, car maker Suzuki followed suit, signing an agreement with the China North Industries Group to become the first Japanese car maker jointly to produce passenger cars in China, from 1995.

As Japanese industrialists ponder the prospect of persistent weakness in their home market, a rising yen and continuing friction with key trading partners, Asia appears to be the one bright spot in an uncertain future, representing both a manufacturing powerhouse and a potentially vast market.

The Asian Development Bank last week forecast 7 per cent growth this year in the Asia-Pacific region, compared with less than 2 per cent in developed market economies.

The proportion of total Japanese investment that went into Asia rose from 12 per cent in 1989 to 14 per cent in 1991. North America saw its share of Japanese investment fall from 50 per cent to 45 per cent over the same period, and Europe held steady at about 22 per cent, according to the Japan External Trade Organisation.

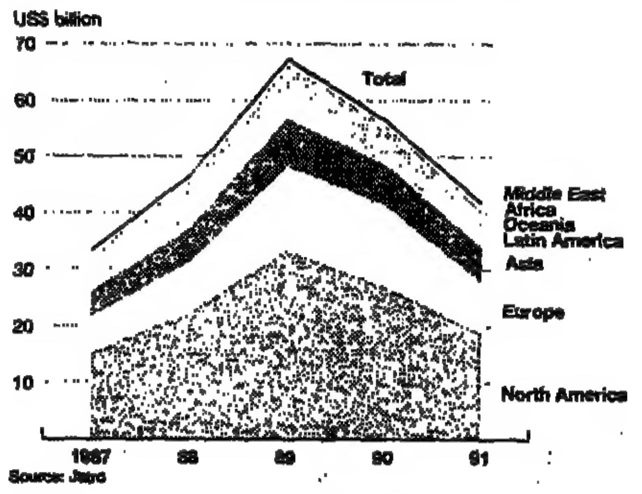
And while Japanese overseas investment has shrunk 30 per cent in the past two years, as a result of economic downturn, the fall in Asian investment has been markedly less, at 15 per cent. In recent months, the rapid rise of the yen has enhanced the incentives for moving Japanese manufacturing abroad.

Another reason why Japanese manufacturers are turning their eyes to Asia is that long-term changes in Japanese society are threatening to deprive them of a stable source of labour in their own country.

The growing rejection by Japanese youth of manual labour, including skilled technical work, coupled with the trend towards having fewer children has made it difficult for manufacturers to find workers in Japan willing to take on factory work.

While the current recession has masked the trend somewhat, small to medium-sized subcontractors, the foundation of Japan's manufacturing success, are founding it difficult to attract workers and there is talk among Japanese industrialists of a "parts crisis".

Japanese foreign direct investment



Source: Jetro

"In 10 years it will be impossible to produce parts in Japan," says Mr Yoshio Sakakibara, director of the Asia-Oceania Division, Overseas Research Department, at Jetro. "The only place where Japanese industry can take that work is Asia."

A good proportion of Japan's manufactured goods is already coming out of Asia. For example, 60 per cent of products sold by Sanyo, the electronics group, in the UK are made either in the EC or in Asean countries, and that trend will intensify, says Mr Yasuaki Takano, Sanyo's president.

"We can no longer speak of Japan's consumer electronics industry. It is the world's consumer electronics industry."

Asia is also attractive to Japanese manufacturers who may feel culturally closer to the region than other parts of the world, Mr Sakakibara says.

A further factor, which may take on a more important role as cost considerations weigh heavily on Japanese companies, is that past experience has shown the profitability of Japanese companies in Asia to be much higher than in other parts of the world.

Whereas the ratio of revenue to pre-tax profits for manufacturing companies was 3.2 in Europe and a negative 0.9 in North America, it was 5 in Asia, according to a study by the Japanese government.

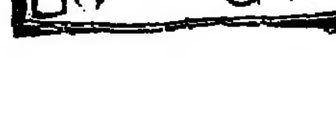
"I think there is a reassessment of the geographic portfolio with Japanese companies giving more weight to Asia than Europe and the US," says Dr J Malcolm Dowling Jr, assistant chief economist at the ADB. As Asia becomes a global base for certain industries, it is also attracting investment from subcontractors and manufacturers in related industries.

YKK, for example, says it is increasing production in Asia by 50 per cent because China has become the world's base for clothing manufacture.

So far Japanese investment in the region has been concentrated in Hong Kong, Thailand, Singapore, Indonesia and Malaysia. But with greater liberalisation, countries such as China and Vietnam are expected to win a substantial amount of future Japanese investment.

China has already become the second largest exporter to Japan after the US and in 1991 Japan overtook the US to become the second biggest investor in China, on a cumulative basis.

The Asian response to Japanese investment appears so far to be favourable. But Mr Sakakibara warns that "environmental pollution could become an increasing problem". Japanese industrialists may need to trend carefully as they build their dreams on Asian soil.



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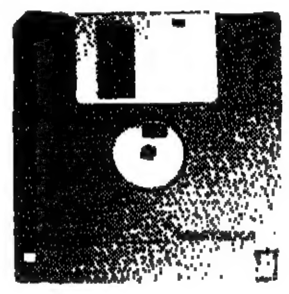
May 6 and 7: The Saxony Investors' Fair. Former state-owned companies look for new owners.

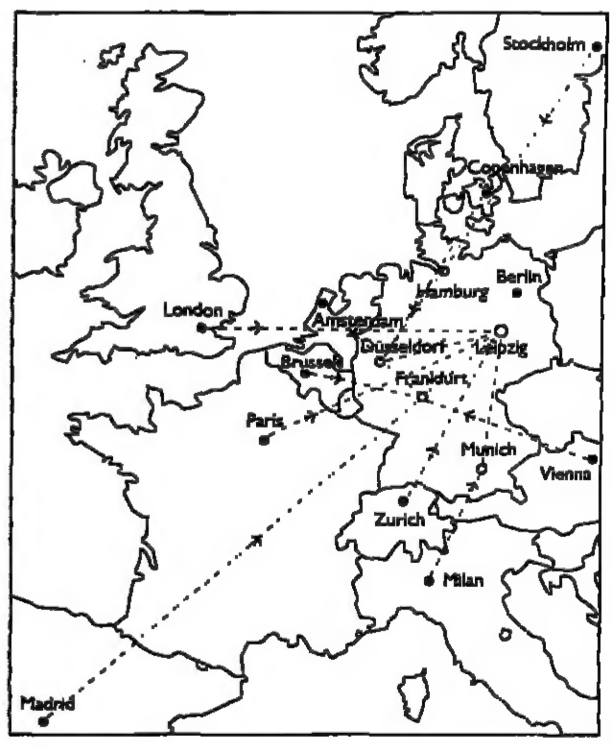
The Treuhand is looking for investors for over 300 medium-sized companies, each with up to 500 employees. The businesses will present themselves at the second Saxony Investors' Fair in Leipzig sponsored by the Treuhandanstalt on May 6 and 7, 1993. At this fair, you can obtain details about the companies, speak with managers and arrange appointments. Treuhand specialists also will be available to advise you on possible financing packages. No responsible business decision-maker should let this once-in-a-lifetime chance pass by.

Industry catalogues as an aid in decision-making.

Those wanting to invest need reliable material on which to base their decisions. That's why the Treuhand has recently published seven industry catalogues in four languages. Each of the companies being privatized is described in detail, with color photos of machines, systems, land and buildings. Information about know-how, patents, employees and estimated investment costs are also provided, as well as possible alternative uses for the companies' existing assets.



The Treuhand will also be glad to send you a diskette with a summary of relevant facts on all the companies.



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Pakistan seeks to assure investors

By Stefan Wagstyl and Farhan Bokhari in Islamabad

PAKISTAN is expected this week to pledge to maintain its existing international financial commitments in spite of the political crisis caused by the dismissal of Mr Nawaz Sharif's government and the dissolution of the national assembly.

Pakistani officials were expected to leave Islamabad last night for Paris where they are due to meet representatives of aid donors, including the World Bank, the Asian Development Bank and developed country governments.

Mr Sartaj Aziz, the former finance minister who was sacked with the rest of Mr Sharif's government on Sunday, was due to have led the Pakistani delegation. In his absence, a senior official will head the team. Mr Aziz told the Financial Times yesterday there would be no change in Pakistan's attitude to foreign donors or investors.

"There's a certain continuity in our policies," said Mr Aziz. "I'm sure the new [caretaker] government will carry on talking to donors and trying to attract foreign investors."

Mr Aziz was speaking after President Ghulam Ishaq Khan dissolved the national assembly and dismissed Mr Sharif's government, accusing Mr Sharif of damaging the country and its economy. He also accused Mr Sharif of corruption and nepotism.

Mr Ishaq Khan was responding to a televised speech Mr Sharif made on Saturday in which he accused the president of conspiring to overthrow him. The exchanges followed an increasingly acrimonious struggle between the two men about the appointment of a new army chief, over Mr Sharif's attempts to secure the leadership of the Pakistan Moslem League, Pakistan's largest party, and over Mr Sharif's attempt to curb the president's powers.

Party leaders yesterday started preparing campaigns for elections, which Mr Ishaq Khan said he would hold within three months. Mr Sharif, who hails from Punjab province, yesterday announced he would travel by train from Islamabad to Lahore, the Punjab capital, stopping along the way to campaign. The degree of support the dismissed prime minister can command in his home province is seen as crucial to his political future. The Moslem League has split between his supporters and backers of the president.

Meanwhile, supporters of Ms Benazir Bhutto, leader of the opposition Pakistan People's party, said they were delighted at the opportunity to fight Mr Sharif at the polls. One of Ms Bhutto's aides declined to comment on the party's view of Mr Ishaq Khan – the president who dismissed Mr Sharif is the same man who sacked Ms Bhutto's government in 1990.

Editorial Comment, Page 17

Sacking unlikely to end political impasse

THE latest turn of events in Islamabad has a depressing familiarity. President Ghulam Ishaq Khan is sacking a prime minister and dissolving the national assembly for the second time in less than three years.

In 1990, he dismissed Ms Benazir Bhutto and promoted the election of Mr Nawaz Sharif. In 1993, he is dismissing his hand-picked protégé and opening the door to the possible return of Ms Bhutto.

Such cavalier treatment of the country's elected leaders bodes ill for the future of Pakistan's fragile democracy; it raises concerns about the role of the country's powerful military establishment, its economic prospects and its relations with foreign states, especially the US and India.

Pakistan has had 15 rulers since independence: the two who lasted longest were both military dictators - General Ayub Khan in the 1960s and General Mohammed Zia al-Haq, who died in an air crash in 1988.

Among President Zia's political legacies was a constitutional amendment which gave great powers to the presidency. His successor, Mr Ishaq Khan, has now used these powers twice to deadly effect.

On each occasion, the president has claimed that was acting to defend the constitution. In fact, this 79-year-old former finance ministry official has also been acting to protect his own political position. Ms Bhutto was sacked after losing a power struggle with the army, which might have culminated in a military takeover had the president not intervened. Mr Sharif has been dismissed after a concerted effort to enlarge his own authority at the president's expense.

After apparently working well together for two years in which Mr Sharif did nothing to anger his political mentor, the two men quarrelled over the appointment of a new army chief, over Mr Sharif's ambition to head the Pakistan Muslim League, the country's largest political party, and, finally over Mr Sharif's effort to curb the president's powers.

The president's dismissal of the government and the national assembly is, he announced, to be followed by national elections in three months' time. But already in Islamabad yesterday there were doubts whether polls could be held in July, in the heat of the summer. Mr Zahid Sarfraz, one of Mr Ishaq Khan's top supporters, said elections might be postponed "for 12 months" to allow time for the summer, the monsoon and a long-overdue census.

Stefan Wagstyl and **Farhan Bokhari** report from Islamabad

Whether the polls are three months away or 12, the campaigns are likely to be bitter. The Pakistan Muslim League, the main component of the coalition which supported Mr Sharif's government, is split between the former prime minister's faction and one backing the president.

The main opposition party, Ms Bhutto's Pakistan People's party, has swallowed its pride and temporarily allied itself with the president to secure Mr Sharif's dismissal. But relations between these groupings are fluid as are links with other parties, notably Islamic fundamentalist groupings.

Mr Sharif's political survival depends on support in his home province of Punjab, where he served as chief minister and where his family has extensive business interests. "Punjab is the crucial test of Sharif's popularity," says one of Mr Sharif's political advisers. If Punjab backs Mr Sharif, as seems likely, while the other three provinces do not, dangerous inter-provincial rivalries could erupt.

General Abdul Wahid, the army chief of staff who took over in January, is avowedly apolitical. But he is also the president's man, appointed against Mr Sharif's wishes. So, if the president chooses to delay elections to boost his own popularity at the expense of Mr Sharif, the army is unlikely to protest. The army's main worry is that the political battles now raging should not lead to civil disorder. As a senior army officer says: "God forbid there should be civil disorder, but if there is we will not fail in our duty."

The prospect of extended political confusion unsettles businessmen. The Karachi stock exchange's index slid 3 per cent yesterday, its biggest one-day decline this year. Mr Nasir Bokhari, a leading broker, said: "The business community is not panicking but it is very much shaken by the prime minister's dismissal."

The shock is particularly acute because Mr Sharif was lionised by businessmen for being the first industrialist to have led the government. They welcomed his policies of economic deregulation, privatisation and the encouragement of foreign investment.

However, as long as the pre-election uncertainty is not too disruptive, the long-term impact of Mr Sharif's departure may not be as bad as some businessmen fear. His policies owed much to economic bureaucrats who will survive the change in government. The new government, like Mr Sharif's, will also probably have to pay attention to the country's international donors led by the World Bank. The general expectation in Pakistan is that economic reform will continue, though it may slow down.

There may be changes in emphasis. For example, Mr Sharif has made a priority of a Rs30bn (£746m) motorway linking Islamabad and Lahore, the capital of Punjab. His political opponents say the scheme is a huge waste of money.

The crisis will do little to enhance Pakistan's international reputation as a place in which to invest. But Mr Sartaj Aziz, Mr Sharif's finance minister, says that companies which have already committed themselves to Pakistan will press ahead, including Honda Motor, the Japanese car maker which is building a small assembly plant near Lahore, and Bear Stearns and Merrill Lynch, the US stockbroking companies which are establishing joint ventures in Karachi.

Foreign governments will be closely watching the impact of the crisis on Pakistan's external relations. There is a risk that Pakistani politicians on the campaign trail may try to court easy popularity by appealing to nationalist or Islamic fundamentalist sentiments – for example, by denouncing India or the US, which is considering whether to blacklist Pakistan as a terrorist state for its support for insurgents in India.

A more probable international effect of the crisis could be that Pakistani leaders will be distracted from dealing with external affairs. Foreign visits will be postponed or cancelled. That in itself will be serious enough because Pakistan has found it hard to redefine its foreign policy since the end of the Afghan War. Relations with the US, Afghanistan, Iran and above all India need attention.

Nawaz Sharif, surrounded by supporters, at an Islamabad news conference yesterday. He urged his party to protest over his sacking

ANC struggles to control its radicals

WHEN AN obscure leader of the black supremacist Pan-Africanist Congress in South Africa gets more applause at a rally than Mr Nelson Mandela himself – as happened last week in Soweto – the African National Congress knows it has something to worry about.

The murder of Mr Chris Hani, whose funeral yesterday ranked as one of the most important political events in South African history, has seriously threatened the always fragile unity of the ANC.

It has jeopardised the ascendency of moderate ANC leaders who have brought South Africa to the brink of agreement with the government on a post-apartheid constitution and forced them to adopt militant rhetoric and tactics to please angry supporters. It has also jeopardised relations with the ruling National party, destined to be the ANC's coalition partner in any multi-party interim government.

Inevitably, moderate leaders such as Mr Mandela, Mr Cyril Ramaphosa, secretary general, and much of the top ANC leadership, have grown away from their mass base as they have moved towards power-sharing with whites. (The maverick Mrs Winnie Mandela says they show indecent haste to sleep between "the silken sheets of power." She has been encouraging ANC crowds to "kill the Boers, kill the farmers.")

Links between the moderate leaders and the radical youth, the unemployed, with the huge underclass, are tenuous at best. Mr Hani's death raises the risk that the ANC leadership will lose control of that radical constituency, either to the black power-inspired PAC, or to chaos itself. The PAC so far has negligible support, despite the symbolic applause at the Soweto rally; but chaos decidedly beckons.

"Chris Hani was the umbilical cord between the African National Congress and the masses," says Mr Peter Mokaba, leader of the ANC youth league. As general secretary of the South African Communist Party, which operates as a sort of "Militant Tendency" within the ANC, Mr Hani provided a radical home for the "young lions" of the townships while ensuring their electoral support for the ANC.

His death has thrown up two potential successors, men with

Leadership's problems are legion, writes Patti Waldmeir

the radical credentials – and some of the charm and intelligence – to recreate that vital link. They are Mr Sam Shilowa, deputy general secretary of the Congress of South African Trade Unions, the over one-million-strong ANC-allied union federation, and Mr Tokyo Sexwale, another former guerrilla commander who is leader of the ANC in the crucial industrial heartland around Johannesburg and Pretoria.

Neither yet has the stature of Mr Hani, though both have skilfully handled the huge crowds which have turned out to mourn the slain leader. So the main task of defusing the radical threat has inevitably fallen to the ANC leadership – at a time when, after three years of superficially fruitless negotiations with the government, their street credibility is at an all-time low.

"Mandela released three years ago; South Africa still not free." This complaint, from a placard carried by demonstrators at Saturday's 30,000-strong march through Johannesburg, has become increasingly common as negotiations seem to bog down in ever greater detail.

"The people think that all negotiations have achieved so far is to get Chris Hani killed," says one moderate ANC leader, stressing that the ANC can no longer afford to ignore popular discontent. "We want the people to be angry. If they were not, we would know they had given us up," says Mr Sexwale. "Now we have to see how we are going to channel this anger properly."

That seems to be the strategy behind the ANC's call for a six-week programme of mass protest action to follow yesterday's funeral. Mass action is meant to defuse that anger – damming it up, says Mr Joe Slovo, leading ANC negotiator, would be "the shortest route to an explosion" – while applying pressure to speed negotiations.

The risk is that a sustained campaign of mass action would tip the delicate balance within the ANC away from "realists" such as Mr Ramaphosa and Mr Slovo towards the romantic revolutionaries, ideological purists and firebrand socialists who make up the radical camp.

This would reverse the balance of power which has prevailed for the past seven months, since the radical-inspired ANC march on the Ciskei capital Bisho, in which more than two dozen died. Moderate ANC leaders, led by Mr Ramaphosa, took control after the blood-letting at Bisho, and were not seriously challenged until Mr Hani's death.

In those seven months, they managed to force through the most momentous policy shift in ANC history when they endorsed multi-racial power-sharing until the end of the century, a decision which broke the logjam in constitutional talks with the ruling National party and will form the basis of an eventual deal.

Mr Mandela cleverly put down a revolt over this issue, allowing the radicals to hang themselves with their own rope after they were unable to propose any pragmatic alternative to power-sharing.

The test he now faces is far greater: to lead his angry people to a level-headed constitutional deal, rather than letting their rage tip South Africa into chaos and race war.

Hopes rise for Mideast talks

By Roger Matthews, Middle East Editor

PALESTINIANS indicated yesterday that they were close to a decision on resuming Middle East peace talks in Washington. Mr Faisal al-Husseini, who is likely to head the Palestinian delegation, said in Cairo that he expected to receive shortly a further statement from the US and Israel which would permit the talks to go ahead, probably on April 27.

The Palestinian delegation had earlier refused to accept the US invitation to return to the negotiating table today, because the response to its demands had been "ambiguous". Mr Husseini said that some of its requests had been answered clearly, "but others were answered in an ambiguous way and on others it was not clear if they were real answers or were just an attempt to calm us down".

Mr Farouk al-Shara, the Syrian foreign minister, said on Sunday that the other three Arab delegations would not attend negotiations with Israel until Palestinian objections had been resolved.

The issues centre on Israel's unwillingness to accelerate the return of nearly 400 Palestinians expelled to south Lebanon in mid-December, and restrictions placed on workers crossing into Israel from the occupied West Bank and Gaza.

Saudi Arabia yesterday also sought to encourage a positive Palestinian decision by offering to resume the financial support to the Palestine Liberation Organisation which was cut off during the Gulf war.

NZ premier plays down rebel's win

By Terry Hall in Wellington

MR JIM Bolger, New Zealand prime minister, yesterday played down a landslide win by Mr Winston Peters, a dissident in the ruling National party, in a weekend parliamentary by-election despite claims that Mr Peters may be about to launch a new centre-right party ahead of a general election due in November.

Political commentators say if Mr Peters chose he could put together an opposition grouping that could split conservative support and thus open the way to a Labour party victory.

Mr Peters rejected suggestions he would form a new party. He won the by-election by a record 11,000 votes, confirming his position as the country's most popular politician, with a rating of around 22 per cent, compared with 7 per cent for Mr Bolger.

Mr Peters, who is a Maori, was fired by Mr Bolger as minister of Maori affairs for "disloyalty" last year after he constantly accused the government of not honouring its election promises. Mr Peters also angered Mr Bolger by continuing to claim in parliament that there were irregularities in Bank of New Zealand's finances following its near-collapse in 1988.

Mr Peters was pressured by government members who forced him to resign from the ruling National Party's parliamentary caucus. This led him to quit his seat and stand for re-election as an independent. Two smaller opposition parties, the Liberals and the Alliance, made overtures to him.

Economic reform for S Korea

By John Burton in Seoul

THE two-month-old government of South Korean President Kim Young-sam said yesterday that it planned to introduce extensive economic reforms during its five-year administration.

The guidelines released by the economic planning board established goals for economic deregulation. A detailed blueprint on their implementation will be announced at the end of June. Some of the measures announced yesterday had been promised by earlier administrations, but were delayed for political reasons.

Although the new programme is impressive in its scope, some seasoned analysts in Seoul expressed reservations that, based on past experience, it would reach fruition.

The measures include financial liberalisation to ease state controls on the banking sector and cut the government's role in credit allocation.

The nation's 23 commercial banks will be encouraged to merge and will be allowed to expand into other financial sectors. Almost all interest rates will be deregulated by 1996.

Credit controls on the nation's big industrial conglomerates, or chaebol, will be abolished but they will be replaced by tougher anti-trust laws to force them to concentrate on a few core businesses instead of operating a wide range of diversified activities.

Institutional investors will be encouraged to raise their chaebol shareholdings to cut the influence of family owners that now dominate them.

Prices increase sharply in China

By Tony Walker in Beijing

INFLATION in China's biggest cities surged in the first quarter, prompting fears that economic overheating could bring tighter credit curbs and direct government intervention to slow imports.

China's state statistical bureau reported that prices in the country's 35 biggest cities jumped on average 15.7 per cent in the three months to March compared with the same period last year.

Shanghai and Guangzhou, where the economic boom has been most marked, recorded the highest rates: 16.7 per cent and 17.2 per cent respectively. Prices rose 14.6 per cent in Beijing and 12.3 per cent in Tianjin.

The price surge is certain to strengthen arguments in the leadership of conservatives who have been urging measures to cool an overheated economy. Reformists have been resisting these pressures, but may now feel obliged to take more rigorous action to restrain activity.

China recorded average growth last year of 12.8 per cent. Economic activity has continued unabated in the first quarter of this year in spite of credit curbs. These seem certain to be strengthened along with efforts to slow growth in the money supply.

Mr Lewis Preston, president of the World Bank, recently cautioned Beijing about the dangers of the economy running out of control.

He said China's economy could sustain rates of growth of between 7.5 and 8 per cent without risking the stop-go cycle of the 1980s. Then, the leadership resorted to draconian credit curbs and import restraint to slow activity.

"The need to sustain growth within the bounds of what the physical and institutional structures can handle is paramount in their minds," said Mr Preston after meeting top officials.

Chinese officials insist that these latest inflationary pressures are different from those of the 1980s that threatened the reform programme.

These derive less from rampant borrowing and excessive imports, they say, than structural changes that have led to sharp increase in basic commodities such as foodstuffs and fuel.

But western economists say the leadership cannot afford to be sanguine about a wage-price spiral that may prove difficult to control without resorting to measures that might threaten the economic reforms themselves. These officials note that wages have also surged in line with price rises.

Many ADB projects 'failed'

By Victor Mallet in Jakarta

MORE than 60 per cent of Asian Development Bank projects scrutinised by bank staff last year either failed or were only "partly successful", according to the ADB's 1992 annual report yesterday.

The ADB said the average success rate for its aid projects had declined over the last five years, largely because the projects had become more complex and because more of them were directed at poorer member countries where they were more likely to fail.

Last year, the ADB approved a total of $5.12bn (£3.4bn) in loans and investments, with the energy sector – power stations and transmission lines – taking the largest share and accounting for about 29 per cent of the total.

Most of the projects evaluated by ADB officials in the course of 1992 dated back to the 1980s. Of the 28 projects chosen for evaluation, 11 were classified as "generally successful", 12 as "partly successful" and five as "unsuccessful".

However, the definition "partly successful" is controversial. For example an engineering education project in the Philippines was defined as "partly successful" although, by the ADB's own admission, the facilities provided remained largely unused, the quality of engineering education had not improved as expected, and the examination pass rates for graduates of engineering schools under the project had in fact declined.

Some ADB staff have criticised the prevailing attitude to failed projects, accusing the bank's managers at headquarters in Manila of simply wanting to spend more money instead of listening to the ADB's own post-evaluation office and learning how to spend money more effectively.

Indian industrial and military facilities within missile range, says report

China 'dumping N-waste in Tibet'

By Tony Walker

A TIBETAN emigré organisation has accused China of dumping nuclear waste haphazardly on the Tibetan plateau, and establishing missile sites there aimed at India.

The International Campaign for Tibet also claimed people living near a top-secret nuclear facility had developed cancers because of careless handling of radioactive material.

Chinese officials had no immediate comment on the Tibetan claims. Last year China firmly denied a charge by the Dalai Lama, Tibet's exiled spiritual leader, that it was jettisoning radioactive waste in the Tibetan region.

The ITC claimed that China had deployed nuclear missiles in at least three sites on the Tibetan plateau. It said that forced prison labour had been used to build the sites.

"China's positioning of nuclear and non-nuclear weapons on the Tibetan plateau has put many of India's major industrial and military facilities within striking distance of short-range missiles," said the report entitled Nuclear Tibet.

The report said the waste from a facility known as the "Ninth Academy" in Qinghai province north-east of Tibet had been dumped in a "roughshod and haphazard" manner. ITC also resurrected claims that China was planning to build a nuclear reactor near the Tibetan capital, Lhasa. Beijing rejects the claims.

The US-based organisation, formed in 1988 to monitor human rights in Tibet, said its report was based on interviews with Chinese nuclear experts, government officials, and two ITC fact-finding missions.

"China's nuclear programme is only a fraction the size of those in the United States and the ex-Soviet Union. . . but in areas of nuclear proliferation, lack of worker safety and irresponsible waste disposal, China's record is as poor or even worse than those of other nuclear powers," said the report.

The Ninth Academy was used to design China's nuclear arsenal through the 1970s, and continues to be Beijing's primary nuclear arms research facility, the ITC report stated.

Japanese money supply contracts by 0.3%

By Charles Leadbeater in Tokyo

THE FRAGILITY of the Japanese economy was yesterday underlined by a 0.3 per cent contraction in the money supply last month compared with March last year. The decline was a reverse from the modest expansion in February, which marked the end of a five-month money supply contraction from September.

The BoJ also revised down the February rise in the money supply to 0.1 per cent from its initial estimate of 0.2 per cent.

The central bank believes the fall in the money supply has probably reached its bottom but that it will not start growing until corporate demand for bank borrowing increases, which is likely only when industrial production rises.

The contraction was partly due to the surge in the yen's value against the dollar which has reduced the yen value of foreign currency deposits.

The broadly defined money supply, which includes cash in circulation plus certificates of deposit, shrank by 0.3 per cent.

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Stimulus proposals test president's political muscle and Republicans' blocking tactics

Clinton lobbies for economic package

By Jurek Martin in Washington

POLITICAL Washington moved into high gear yesterday as the Senate reconvened after the Easter recess to take up President Bill Clinton's long-stalled and now reduced economic stimulus package.

Mr Clinton stepped up his lobbying campaign with an address to a trade union convention emphasising the need for short- and long-term job creation. Over the weekend he had sought to prise loose selected moderate Republicans who have so far sustained the party's united filibuster against his proposals.

Senator George Mitchell and Senator Robert Dole, the Democratic and Republican leaders, also planned a private session to see if a compromise could be ironed out.

In public, however, neither seemed in a mood to give in. Mr Mitchell described the Republican strategy as one of "gridlock, filibuster, obstruction, delay, defeat and embarrass President Clinton". But he conceded that the original \$16.3bn (£10.7bn) package, cut by about \$4bn by the president last Friday, had no chance of passage.

Mr Dole said he could accept one part of the proposals – \$4bn to extend unemployment benefits – and might make "exceptions" for other elements, including a \$300m national immunisation plan. But he insisted emergency spending was unnecessary in the current economic climate unless financed by additional spending reductions.

The affair is proving a test both of Mr Clinton's political muscle and of the Republican blocking tactics. Partly distracted by other events, including the summit with Russian President Boris Yeltsin, the continuing Bosnian crisis and concern about the aftermath of last weekend's Los Angeles trial verdict, and with Congress in recess, Mr Clinton has not focused as much on ending the Republican filibuster as he had earlier on getting his substantive budget-cutting plan through the legislature.

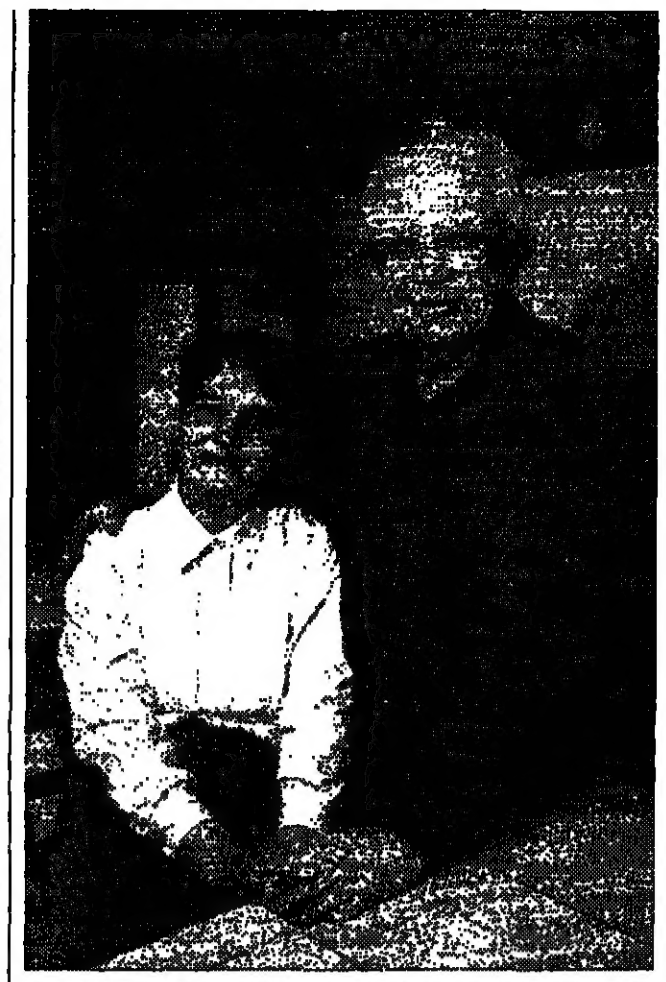
The current impression, which Mr Clinton needs to dispel, is that his initial victories led him to underestimate opposition to the stimulus package, which includes some Democrats. Simultaneously, he is being accused of trying to do too many things at once.

Last week's speculation that the administration was considering a national value added tax to help finance health care reform, seems not to have helped Mr Clinton.

For his part, Mr Dole seems conscious of the need to avoid being labelled as the prime perpetrator of the dreaded political "gridlock", but is equally mindful of the importance of giving his own party, a minority in both houses of Congress and facing a Democratic president for the first time in 12 years, a distinctive mission.

He is accorded much credit for keeping the 43 Senate Republicans in line on the filibuster, only breakable if 60 members of the 100-strong Senate vote to end it. He has been encouraged by some measurable recent declines in Mr Clinton's popularity ratings.

But Mr Dole, a close friend of Mr Mitchell, also has a reputation for preferring compromise to the confrontational approach typical of his party's right wing.



Sergei Khrushchev, son of the former Soviet leader, and his wife Valentine in their Rhode Island home. An interview with US immigration officials yesterday was the last hurdle before they could obtain US residence cards.

Menem finds Congress less a rubber stamp

Opposition forces pensions compromise on a president used to getting his way, writes **John Barham**

PRESIDENT Carlos Menem of Argentina has become used to getting his own way. But his once unassailable political authority, particularly his ascendance over Congress and the Peronist party, seems to be wavering.

Last week the opposition forced his government to negotiate a compromise formula on a bill reforming Argentina's pension system.

The bill was introduced to Congress last August. The eight-month delay may not seem unusual, but the government had become used to a pliant Congress enacting government legislation at high speed. In 1989 it rapidly granted Mr Menem virtually dictatorial powers to halt hyperinflation. Two years ago, it swiftly approved a bill making the currency convertible, paving the way for economic recovery.

As economic emergency recedes, Congress is less willing to rubber-stamp legislation. Bills privatising the gas industry and then the national oil company ran into heavy opposition in Congress.

The proposal by Mr Domingo Cavallo, the economy minister, to replace the collapsing state-run pension system with a semi-private scheme may be no more daring than other reforms once thought impossible in Argentina, but it is facing far greater opposition.

Mr Cavallo says pension reform is a crucial part of his broader economic strategy. Not only would pensions cease to be a financial burden for the state, but a private pension system would invigorate capital markets, boost domestic savings, reduce reliance on imported capital and provide long-term finance for industry.

Under the original plan, employees would compulsorily channel 11 per cent of their wages into individual retirement savings accounts handled by private fund managers.

But militant pensioners, opposition politicians and disaffected members of the ruling Peronist party obstructed the pension bill ever since its introduction.

Last week, they finally won a government promise to make contributions to a private scheme voluntary.

This could radically change the future pension system. It could mean that only the better-paid would opt for a private scheme, while lower-paid employees would continue contributing to the state scheme. Thus, the private system would be more profitable for management companies while the state would still be left with a heavy financial liability.

Congress had already diluted the bill's original text. One change required the state to establish minimum investment returns for retirement saving accounts.

Another requires state-owned Banco de la Nacion Argentina to guarantee accounts against failure.

The government is running out of time. Unless Congress approves the bill before campaigning begins for October's congressional elections, its chances of becoming law this year will become even more remote. The government has a majority in the Senate, but lacks a majority in the lower Chamber of Deputies.

The Peronists' 117 seats make them the largest party in the Chamber, but are still 12 seats short of a majority. Furthermore, a small but crucial splinter group has defected to the opposition benches.

Underlying the increasing opposition is a growing awareness of Mr Menem's need for support in his over-arching ambition to win re-election. A two-thirds majority is required in Congress just to start this complicated process, as the constitution at present prevents incumbent presidents from seeking a second term. Many politicians are exploiting the government's urgency to demand favours for themselves or increased spending for cash-hungry local government.

Many politicians oppose the pensions bill because they say it is technically flawed. Opposition Congressman Alberto Natale says: "The present system is a disaster, but the government proposal is no good either." Mr Natale says the private system's high operating costs would consume one-third of contributors' savings. He claims most savings would not be channeled to private industry, but into government bonds, not a traditionally reliable investment.

A New York banker added: "There are a lot [of politicians] who are not happy at losing \$3bn [£1.94bn] a year in cashflow to the private sector that they could distribute for their own populist ends."

Others believe it is wrong to profit from pensions, and want them to remain as a branch of social policy under government control.

The unions – which remain influential in the Peronist party – are also opposed to the reform. There is also a well-founded fear that Argentina's financial community could bankrupt the system.

However, most observers, be they government officials, bankers or politicians agree the pensions bill will eventually become law.

The government has another two highly controversial bills to introduce this year. One would reform Argentina's notoriously rigid labour market, the other is Mr Menem's constitutional reform package.

But the pension reform's troubled progress through Congress is proof that ministers can no longer automatically expect smooth treatment for government business in the future.

Mexican poll protest

OPPOSITION parties cried fraud and demanded that an election be cancelled after early results yesterday gave Mexico's governing party a huge win, AP reports from San Luis Potosi.

More than half the eligible voters in the central Mexican state of San Luis Potosi, which has seen two interim governors in two years, stayed home during special elections on Sunday to choose a governor and 13 congressional deputies.

Mrs Concepcion Nava Calvillo, 72, the widow of one of Mexico's most famous opposition leaders, ran against her son-in-law, Mr Horacio Sanchez of the ruling Institutional Revolutionary party (PRI).

Venezuela ruling party picks black to run for president

By Joseph Mann in Caracas

VENEZUELA'S ruling Democratic Action (AD) party has chosen a black ex-mayor as its presidential candidate in national elections scheduled for December this year.

Mr Claudio Fermin, 43, easily beat three other candidates in Sunday's primary. Although known as a populist, Mr Fermin has not had time to put together a comprehensive political programme.

After winning the primary he said he would not change any national policies producing positive results.

The Social Christian party, second largest after the AD, is due to vote for a presidential candidate on April 25. Former president Mr Rafael Caldera and Mr Andres Velasquez, a leftist state governor, are the principal candidates.

Despite inroads by other parties, AD and the Social Christians dominated state and local elections last December.

AD has won five of the seven presidential elections held since the last military dictator was ousted in 1958. This year, however, the ruling party is facing serious challenges as voters grow disenchanted with the traditional political leaders. Military rebels tried twice last year to overthrow the government.

AD is viewed as corrupt and inefficient and is blamed for the tough economic reforms that President Carlos Andrés Pérez, a founder of the party, began implementing in 1989.

Mr Fermin is the first black to run for president in Venezuela. He has degrees in sociology and law and has spent his life working as an official in the AD.

In 1989 he was elected mayor of west Caracas, Venezuela's largest municipality.

Employers cautious on start of recovery

By Emma Tucker, Economics Staff

RETAIL SALES grew at their fastest rate since November 1991 in the year to March, but the improvement is not yet firmly established, the Confederation of British Industry (CBI) reported yesterday.

Sales volumes last month were up on a year ago for the third consecutive month, but the CBI – the UK employers organisation – warned that the increase in spending had not yet spread to all sectors of the retail sector.

A consumer confidence survey from Gallup also cautioned against excessive optimism about the recovery, finding that only a fifth of 2,000 respondents thought the financial position of their household would improve over the next 12 months.

The latest Gallup survey, conducted on behalf of the European Commission, suggests that people are very cautious about the strength and durability of any recovery, with the March budget making little positive impact on confidence.

Construction output will fall further this year than had been expected, an industry forecasting body said yesterday.

The National Council of Building Material Producers said it expects output to fall by 2.5 per cent this year. It had been forecasting a 1.5 per cent decline.

The group blamed the outlook on a worse-than-expected downturn in commercial property building and the government's delay in giving the go-ahead for the £1.7bn Jubilee Underground line extension in London.

In its monthly distributive trades survey, the CBI reported that recent sales growth has been concentrated mainly in the large chain stores and mail order companies, while small chain stores continue to report sluggish sales. Individual retailers still report trade down on a year ago.

Overall, retailers indicated that sales for the time of year were only a little below levels they would consider average for the time of year.

The outlook for wholesalers is promising, according to the survey. Last month there was a strong year-on-year increase in sales volumes, against February when sales declined. Wholesalers were also able to reduce stock levels in March following the better sales, in spite of an increase in orders placed with suppliers.

Motor traders reported their fourth consecutive month of rising year-on-year sale in March, with both vehicle sales and sales of parts and accessories up.

The Gallup survey found that 20 per cent of the people interviewed expect the financial position of their household to improve over the next 12 months. This was the same as in March, but lower than in January and February.

"The so-called feel good factor is not being widely felt by consumers," said Gallup, although it added there were signs of improvement in the economy in general. Three in 10 expect the general economic situation to improve over the next 12 months, only slightly less than those who expect to see it deteriorate.

Record fine imposed over construction worker's death

By Diane Summers, Labour Staff

A LONDON construction company was yesterday fined a record sum for a health and safety offence following the death of a worker in the new ring main, the water pipeline being built under the city.

J Murphy and Sons was fined a total of £160,000 plus £28,000 costs following the accident in February 1991.

The Health and Safety Executive (HSE), which brought the case to court, said the level of the fine reflected "a widespread corporate failure" to recognise safety rules.

Mr Jeff Hinksman, HSE deputy chief inspector, said the fine "should serve as a warning to all firms in the construction industry to take their management responsibilities for health and safety seriously".

The court heard that Mr William Kerr had died from an electric shock suffered while working underground on stage two of the ring main project. He was one of a number of subcontracted workmen moving a 3.3kv electrical transformer inside a tunnel.

The company was fined £150,000 for failing to have a system for ensuring the safe design, construction and maintenance of the electrical system at the site. It was also fined £10,000 for failure to maintain the electrical system involving the transformer. The £28,000 costs were awarded to HSE.

J Murphy and Sons said last night that it deeply regretted the fatal accident. "The company views the safety of its employees, contractors and members of the public as being of prime importance. It has carried out a full investigation of this accident and has reviewed and revised its procedures for electrical safety on all sites," the company said.

Other, larger, fines – for example some following deaths during the construction of the Channel tunnel – have been awarded jointly against several contractors.

Daf workers take pay cut to support buy-out plan

By Robert Taylor

WORKERS at Leyland Daf's van production plant in Birmingham agreed yesterday by a large majority to accept a pay cut of up to 8 per cent to help in a management buy-out of the threatened plant.

Most of the 1,000 employed will have wage cuts of 5 per cent, which will mean a £12.50 reduction in their average weekly wage of £250. But some staff who received a 3 per cent rise in January, before the company went into receivership, will lose that increase as well as the 5 per cent cut.

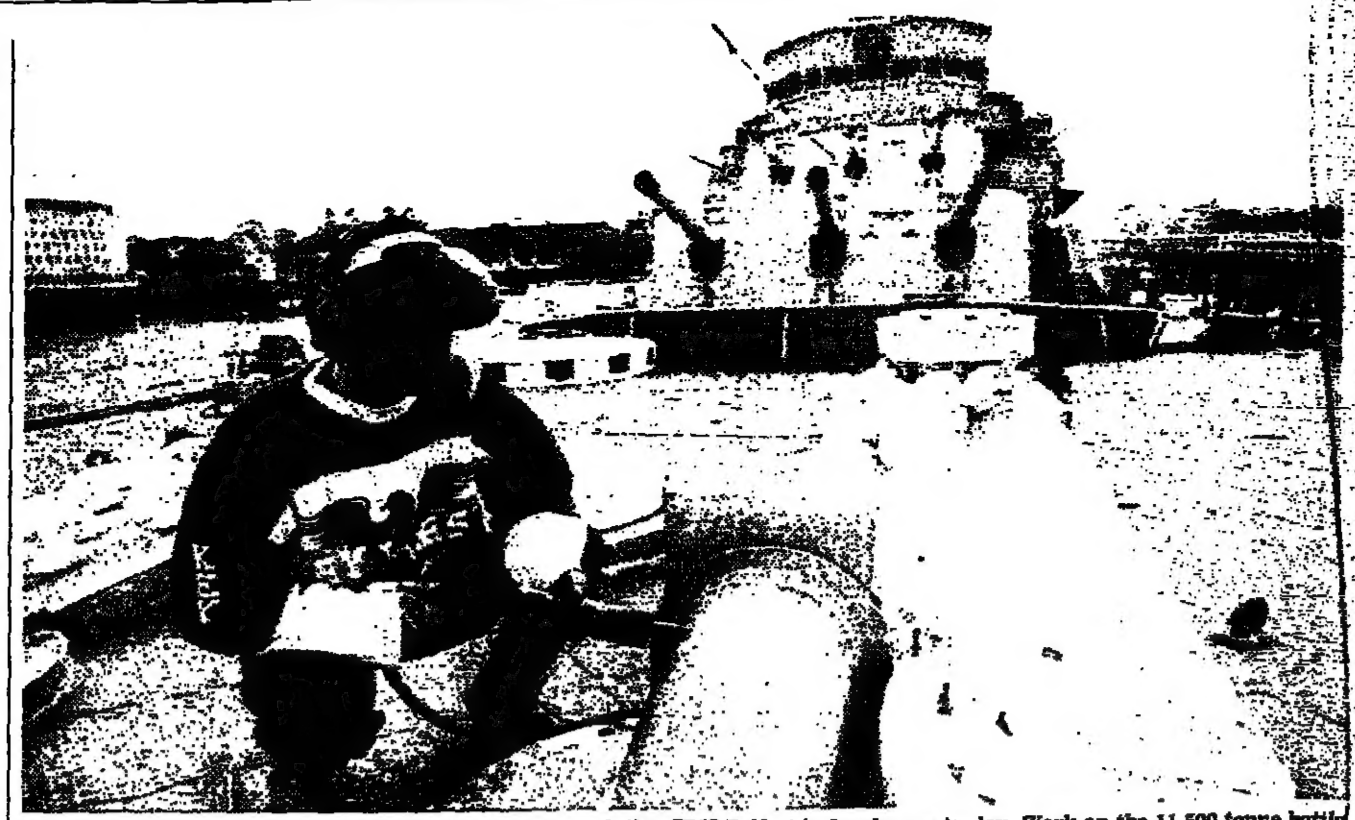
The pay cut will hit everybody at the central England plant from the boardroom and senior management to the shopfloor. Directors stand to lose £3,000 a year as a result.

Trade union negotiators were reluctant to agree to the cuts, which also involve longer working hours, a deterioration in the value of pension benefits and lower levels of redundancy payment. "We only see this as an interim measure to help the buy-out team," said Mr John Allen, the AEEU's chief negotiator. "We will be back as soon as the company shows signs of profitability to seek a restoration of salaries."

Mr Tony Woodley, chief negotiator for the Transport and General Workers union said that the agreed cut in pay was designed to help in the "successful launch" of the new Daf operation.

"Our priority has been to safeguard employment in the motor industry and we believe this deal will help secure that objective," he said. He added that the union is looking forward to restoring the cut "as soon as possible".

The pay cut is being linked, however, to an element of profit-related pay, although the details of this were not revealed yesterday. "A profit-related element is one way that all the employees can contribute to the success of the new company," said Leyland Daf yesterday. "We have to remain competitive and cut every cost we can. It will be reinvested in the future of the company."



Shipshape: a contractor begins work on stripping and repainting HMS Belfast in London yesterday. Work on the 11,500 tonne battle cruiser, a floating war museum moored near Tower Bridge in the Pool of London, is expected to be completed by mid-May. Museum officials estimate 5,000 litres of paint will be used to restore the ship in its four-colour North Atlantic camouflage

Britain in brief

Former Eagle Trust chief jailed for theft

Mr John Ferriday, former chief executive of Eagle Trust, was jailed for six years for stealing £13m to cover losses in the 1987 Black Monday stock market crash.

Mr Ferriday, of Sutton Coldfield, West Midlands, was found guilty by jury earlier this month of five theft charges after a 10-month trial. He had denied stealing £12.25m and 1.7m shares belonging to Halesowen-based Eagle Trust.

At Wolverhampton Crown Court, Judge Malcolm Ward described Mr Ferriday as "totally unscrupulous" and disqualified him from being a company director for 10 years.

HSE to probe chemicals link

The Health and Safety Executive is to investigate the links between chemicals used in semi-conductor manufacturing and miscarriages suffered by women in the industry.

The UK investigation follows a recent large-scale US study which found a miscarriage rate of between 12 per cent and 14 per cent among women working in semiconductor manufacturing. This compared with 10 per cent for the population as a whole. Between 2,000 and 2,500 women are estimated to work in semiconductor manufacturing in the UK.

Machine tool company saved

The managing director of Dean Smith & Grace has saved part of the Yorkshire-based machine tool company from closure by acquiring the spares, service and rebuilding activities from the US parent company, Monarch Machine Tool. Monarch had said in December that it would close Dean Smith & Grace in June because of the recession. A new company, DSG Lathes, has been formed to focus initially on re-engineering lathes.

Airport boost

International passenger traffic at Manchester Airport was 14 per cent higher in March than in March last year while domestic passenger traffic was up 8 per cent. A total of 12.54m passengers used the airport in the year to end March, compared with 12.44m for the year to March 1992.

More job cuts in coal industry

Job Losses Even more jobs will have to go from the coal industry if British Coal is to become fully competitive with imports, Mr Neil Clarke, the company's chairman has warned. Mr Clark said the recent package of measures proposed by the government were only a breathing space. "If we are prepared to accept the assistance of the taxpayer to allow us to become yet more efficient, then we must accept that there will be a price to pay," he said.

Gas auction completed

British Gas has completed its second gas auction, offering supplies to 102 companies which applied for gas under the release programme agreed by the company as a way of encouraging competition in the industrial market. British Gas has sold 200m therms as part of a four-year plan to halve its share of industrial supplies.

School visits for employers

Mr Tim Boswell, the education minister, called on employers to visit primary schools to "bring the curriculum alive" for pupils. He said: "No child is too young to start learning the skills which will be needed in adult working life. So it is particularly important that school-business links start early."

Confusion in Commons on Maastricht social chapter

By David Owen

ATTEMPTS by the opposition Labour party to corner the government over the Maastricht treaty's social chapter were thrown into confusion last night.

Left-wing Labour MPs tabled a motion of censure in Mr Michael Morris, deputy speaker – who oversees proceedings in the Commons – after the government seemed to have been put on the defensive by Mr Morris's decision to accept a new Labour clause calling for an explicit vote on Britain's social chapter opt-out.

This appeared to be a setback for the government since the selected clause is more tightly drawn than the similar Labour clause which the government said last week that it would accept.

It remained unclear whether the clause – known as new clause 74 – had the potential to pose a real threat to the Maastricht process by forcing the government to choose between accepting the social chapter and ratifying the treaty.

The three Labour signatories to yesterday's motion of censure seemed to think that it did not: Mr Peter Shore described both it and the new clause accepted by the government last week as "entirely agreeable" to the government.

The motion was tabled after Mr Morris, the MP presiding over detailed consideration of the Maastricht bill, again confirmed that he would not allow MPs to vote on a potentially crucial Labour amendment which would remove the protocol containing Britain's social chapter opt-out.

The motion – tabled by Mr Tony Benn, Mr Denzil Davies and Mr Shore – expressed regret that Mr Morris had decided "contrary to normal practice" not to permit a division on an amendment "having allowed a debate upon it to take place". It called upon Mr Morris to "reconsider his ruling forthwith" and permit MPs to "reach a decision on that amendment."

But there were predictions last night that its main effect could be to make a vote on the amendment less rather than more likely.

This was because it might undermine the efforts of the Labour front bench to secure a vote on the amendment – known as amendment 27 – during the bill's report stage.

If the motion was heavily defeated, the reasoning went, it would suggest MPs were happy with Mr Morris's ruling and could therefore weaken the argument for holding such a vote at report stage.

With Labour and Conservative front benches highly likely to oppose the motion, such a defeat was last night looking much the most probable outcome. Mr Jack Cunningham, Labour "shadow" foreign secretary, used the last of nearly one hour of points of order with which yesterday's Maastricht debate got under way to appeal to MPs to "pause and study very carefully" what had been said.

This was not least because Labour did not want to "throw out" the opportunity of voting on amendment 27 at the report stage.

European Bank puts £98m into Tube extension

By Vanessa Houlder, Richard Tomkins and Alison Smith

THE EUROPEAN Investment Bank (EIB) yesterday agreed to provide £98m of the private sector's £160m contribution towards the £1.8bn Jubilee Line underground extension from central London to the the docklands

The link is seen as vital in persuading more businesses to move offices to the London Docklands, the Thameside development zone east of the City where thousands of feet of new office space have been left vacant amid concerns that the area suffers from poor communications.

Bankers said the EIB decision meant that the most important hurdle in providing the £160m contribution to the Jubilee's costs had been cleared. The government had been insisting on £400m from the private sector but this is spread over 30 years, so is worth £170m in today's value.

The EIB is owned by the European Community member states.

The EIB said its decision completed the financing arrangements necessary for Canary Wharf – the office complex developed by Olympia & York – and cleared the way for the UK government to begin the construction of the Jubilee Line extension.

London Underground, which will build the line, welcomed the EIB's decision to approve the £98m payment but it remained cautious over the prospects of an early start on construction of the £1.8bn extension. Several more hurdles needed to be cleared before the go-ahead could be given, including government approval, it said.

The banks have also got to reach agreement with London Underground on the construction contract including setting a deadline for completion of the project.

If these obstacles are successfully overcome, work on the line could start more or less immediately, London Underground said. Preparatory work has been carried out at London Bridge and Westminster and London Underground has more than £1bn worth of contracts ready to sign.

The negotiations between bank lenders to Canary Wharf and the government on the private sector contribution for the Jubilee Line have been going on for almost a year, following the collapse of Olympia & York, the Canadian company which built Canary Wharf, the new east London property development.

The EIB loan was agreed as part of its remit to speed up the financing of large infrastructure projects in order to encourage European economic growth.

Company reports show executive pay is outstripping inflation **writes Lucy Kellaway**

British directors are greedy – official

It's official: British directors are greedy. They have been described that way by Mr Roger Young, head of the Institute of Management, which yesterday published a report showing that directors' pay is rising at more than twice the rate of inflation.

The same picture is emerging from this year's annual reports season. While large companies such as British Gas and ICI and have announced pay freezes in the boardroom, many others are causing raised eyebrows for fat pay increases for top people. British Aerospace, Hillsdown Holdings SmithKline Beecham, BAT, and English China Clays have all hit the headlines recently over rises in executive pay.

The onus is now on them to prove that they deserve such big payments. In general, the evidence suggests this is not always the case.

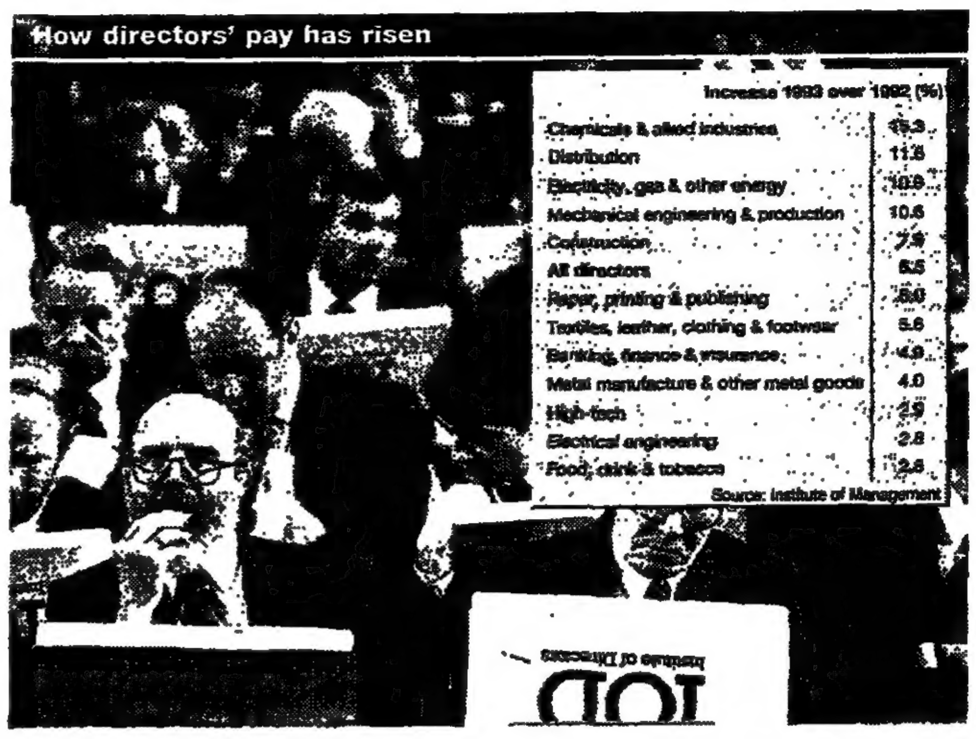
This year companies are being a little more open about what they pay their top people.

Prompted by the Cadbury Committee's report on corporate governance, companies are starting to provide more information in their annual reports.

Most of the big companies have included in their 1992 report a new section at the front on corporate governance, declaring compliance with the Cadbury code – which comes into force in June.

They are providing details of their audit and remuneration committees, and are breaking down directors pay and the pay of the chairman and highest paid director into salary and bonus elements.

How directors' pay has risen



	Increase 1993 over 1992 (%)
Chemicals & allied industries	15.3
Distribution	11.8
Electricity, gas & other energy	10.9
Mechanical engineering & production	10.6
Construction	7.9
All directors	6.5
Paper, printing & publishing	6.0
Textiles, leather, clothing & footwear	5.6
Banking, finance & insurance	4.9
Metal manufacture & other metal goods	4.0
High-tech	2.9
Electrical engineering	2.8
Food, drink & tobacco	2.6

Source: Institute of Management

For many this marks a big departure: according to a survey by Monks Partnership, the pay consultancy, only 16 per cent of FTSE companies fully complied with the code in their 1991 accounts. Many companies have made significant changes already: Lloyds Bank, for example, which complied with none of the guidelines last year, now meets all of them.

Even companies which fully meet the code would seem to need further explanation of directors pay. For instance Mr Bob Bauman, chief executive of Smithkline Beecham, the pharmaceuticals group, increased his pay by 20 per cent last year to £1.5m, while profits before tax rose by just 11 per cent. The report shows that the bulk of the rise was in bonus, but that his basic salary and perks rose by 12.5 per cent. A spokesman said he deserved the rise as the company had performed well.

The Institute of Management survey shows that the level of pay increases varies sharply from one sector to another, yet those differences are not balanced by similar differences in profitability.

In chemicals and allied industries directors received pay rises of 15.3 per cent last year, while the earnings of the chemicals sector as a whole fell by 11 per cent.

Meanwhile directors of food, drink and tobacco, received less than 3 per cent more last year, yet their companies performed relatively well last year: in particular, food retailers increased earnings by about 11 per cent.

Mr Young points out that sector figures mask large differences in the pay of individual companies. For instance, the big increase in top pay of energy companies may be largely a reflection of a catch up in the pay of electricity utilities following privatisation.

Even within each sector, however, the position is different. In the energy industry some companies such as British Gas are showing restraint – after causing a public outcry the previous year with an over-generous pay rise to Mr Robert Evans, chief executive – whereas some smaller ones are not doing so. Shareholders in Premier Consolidated Oilfields are getting restive at the 60 per cent increase in total directors pay last year, and are planning to put embarrassing questions to the agm next week.

Companies themselves give a wide variety of reasons for pay rises to directors.

The most spectacular rise was the doubling of directors pay at Hillsdown Holdings, the food company. Even though the company made a loss of £60m, directors' pay rose from £2m to £4m. The company says this was due to an increase in the number of directors on the board, and to a £500,000 bonus paid to the new chief executive Mr David Newton, for turning around the company's performance at its Canadian subsidiary.

Proposals on racketeering prompt row in N Ireland

By Jimmy Burns

THE government has become embroiled in a row with its main advisory body on human rights in Northern Ireland over proposals to combat terrorist-linked racketeering in the construction industry.

A working document prepared by the Northern Ireland Office (NIO) proposes a package of measures including the issuing of identity cards for building workers, a special licensing scheme for construction companies, new regulatory powers to customs officers and Inland Revenue inspectors, and a widening of emergency anti-terrorist legislation.

The NIO estimates the IRA raises more than £2m per year through construction industry related tax fraud and extortion.

It emerged yesterday that the proposals have been the subject of heated exchanges between the Standing Advisory Commission on Human Rights and the NIO. The row escalated after the Commission was bypassed by the government in an initial consultation exercise at the beginning of February.

The commission learnt about the proposals from Mr Kevin McNamara, the opposition Labour party's spokesman on Northern Ireland last month.

The government is also facing considerable opposition over the way it consulted employers and labour groups on its proposals to combat terrorist funding.

Mr Nigel Smyth, Northern Ireland director for the Confederation of British Industry, said the working paper implied excessive regulation which could unfairly discriminate against small and medium sized companies.

The Irish Congress of Trade Unions believes the government's ID scheme risked the production of counterfeit identification badges by terrorist organisations and thus a continuation of the racketeering the proposals are designed to eliminate.

Technically Speaking

Back to square one – or two

By Alan Cane

THE life cycle of many management techniques follows a predictable pattern. First, the business school academics and management gurus come up with an innovation that they declare will confer competitive advantage, multiply profitability, improve flexibility and the like. Then it is taken up by the management consultancies which spread the word far and wide.

After a time, the debunkers move in to expose the hyperbole and challenge the myths. After the savaging, what remains may prove to be of real value to managers and organisations.

Business process re-engineering (BPR), currently a hot topic among management experts, is just entering the third phase. If its progress runs true to form, it should be possible within a few months to distinguish the elements of lasting value through a smokescreen of misinformation and mystery.

BPR is a way of improving business efficiency. It involves taking a view of the company that focuses on key processes rather than traditional functions, divisions or products.

Changing these processes through redesign and the use of technology can lead to order-of-magnitude improvements, the argument goes. Certainly, it has proved persuasive enough to become enormously fashionable in the US and Europe. Computer Sciences Corporation, a large US-based pioneer of BPR, says it attracted 1,500 executives to its annual conference in Boston this month, double the number that attended a year ago.

OTR, an energetic, Brussels-based consultancy, has taken a critical look* at BPR, driven by a belief that many senior managers have reservations. As, they reason, their business was never engineered in the first place, how can it be re-engineered?

OTR's chief conclusion is that BPR is based on real principles and there can be genuine value in applying them, but that hyperbole is confusing the picture.

It concludes, for example, that claims for BPR applications are often exaggerated. It cites Hallmark Cards in the US. While BPR is supposed to imply fundamental rethinking of the whole business, the main change at Hallmark was the installation of barcode readers in 250 stores.

"Hallmark now knows what is being sold much quicker than before," it says. While this has clearly been beneficial, the basic procedures have not been altered, notes OTR. "Hallmark still monitors which cards are sold and adjusts its stock and design requirements accordingly."

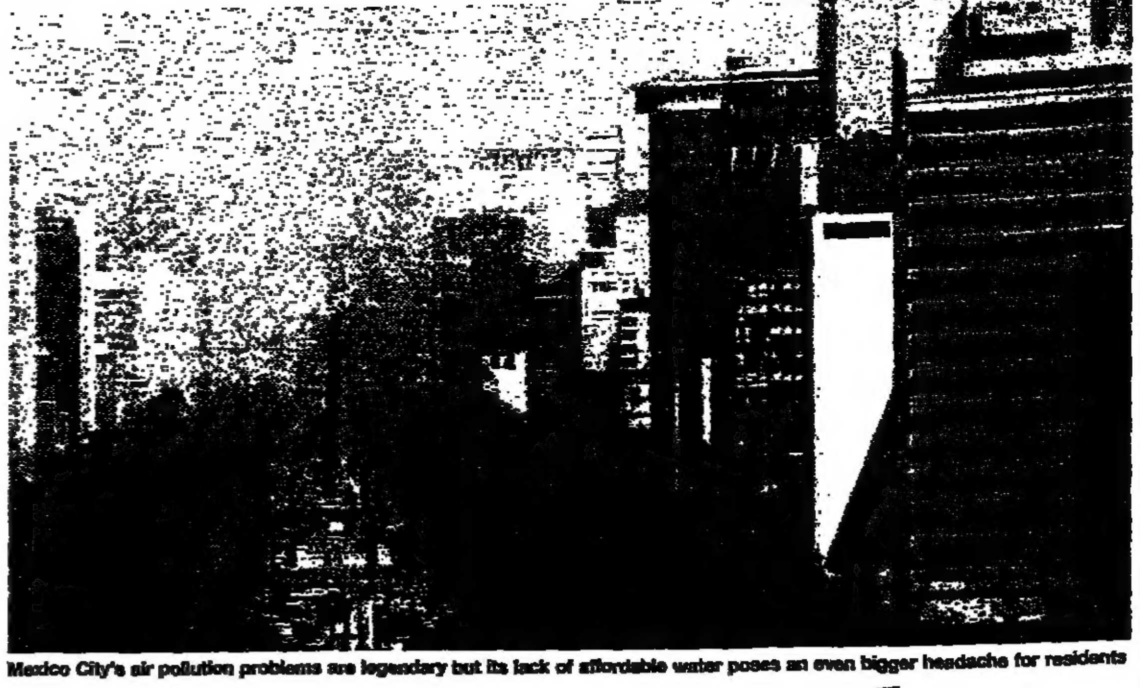
In fact, OTR concludes, nobody has re-engineered their whole business: it is too risky. Even where funds are unlimited, no company dares risk removing the pillars that support its business, rearranging them and putting them back in place – the worry is that the business would collapse before reassembly was complete.

How then can a company achieve the benefits of BPR? OTR prescribes measures which resemble those traditionally recommended for implementing information technology: leadership from the top, cultural as well as organisational change and a cautious approach – experimenting with prototype re-engineering in a small part of the organisation is better than attempting an enterprise-wide transformation.

It recommends an interesting mix of people for the re-engineering team. It suggests broadly-based insiders, dispassionate outsiders – and "rebels" who think the whole exercise will be a waste of time.

Such people are better on the inside than the outside where their fears and suspicions can help to spread doom and despondency. Their ability to spot genuine flaws in the project can save money in the long term. The rebel as hero is an uncommon image in management lore, but it may become increasingly familiar as BPR spreads.

**Business Process Re-engineering – Real or Hype, OTR Group 1993. Belgium: (02) 230 2970 UK: 071 402 3574*



Mexico City's air pollution problems are legendary but its lack of affordable water poses an even bigger headache for residents

Stemming the flow of costs

Mexico City's new water system will be one of the world's most modern, writes **Damian Fraser**

British and French water companies have taken on the daunting challenge of overhauling Mexico City's water system. Hard as it is to believe, Mexico City faces a more critical problem than the suffocating smog that pollutes the air during winter months – the lack of affordable water.

The city's underground aquifer is being over-exploited by 20 cubic metres a day, and will run dry in a decade or so. It is prohibitively expensive to build a second reservoir and pump more water in from outside. And with budgets tight, a recent project to recycle water at a reservoir in Ixtapalapa at the city's edge had to be called off.

Mexico City's water commission, headed by Carlos Casasus, a former finance director at Telefonos de Mexico, has thus turned to the private sector to solve its problems. Earlier this month, two British and two French water companies and Mexican partners won a contract worth some $1bn (£600m) over 10 years to restructure the city's water system, prepare a water census, draw up a digitalised map of secondary pipes, install some 700,000 electronic meters, and repair the city's 12,000km of pipes.

The contract is one of the biggest of its type in the world, and will turn what is probably one of the least efficient water systems into one of the most modern. "Mexico City is skipping a whole generation of technology," says Jim Southworth, operations manager of North West Water of the UK. In two years, the city will have computerised maps of the water infrastructure, electronic reading of bills by radio, and some of the most advanced and accurate meters in the world.

According to Dean Wheadon, an economist with International Water Consultants, who worked on the project: "Mexico City will become a model for the developing world. Moscow is interested and is planning to visit the system. Now North West Water is following, and introducing its own pilot programme for radio reading of water meters."

The changes will have a series of effects that will reduce the water shortage. First, collected revenues should increase by about 20 per cent as the authorities expand the number of meters installed, and fewer users escape detection. Mexico City has 1.2m water users, but around 500,000 are not registered or do not pay. As a result of illegal use, Mexico City's annual water revenues are only about $152m while costs are $516m. The subsidy that goes to water consumption could be re-directed to increasing supplies from recycling.

Second, accurate metering will reduce consumption, even if relative tariffs do not change. Most Mexico City residents pay a flat tariff since their meters are only read once every three years. They thus tend to waste water. Water consumption per head in Mexico City is about double that in Paris, where it is metered accurately.

Third, an accurate "intelligent" map of the water network will help the water authorities pinpoint leaks and mend them. Currently, Mexico City loses some 30 per cent of its water to unlocated leaks.

The city's water commission has divided the city into four zones, and granted contracts to four groups of companies: Lyonnaise des Eaux Dumez, Anglian Water, and Bufete Industrial; North West Water and Grupo Gutsa; Severn Trent and Socios Ambientales de Mexico; and Compagnie Générale des Eaux, Grupo ICA and Banamex.

While it would have been cheaper to award the contract to one company, Casasus says the government hopes later to stimulate competition by setting water prices according to the average rate of return of the four companies.

The first phase is the water census, the digital mapping of the network and the installation of meters. The census will be conducted by sending sound signals through the pipes and listening for breaks (which would mean a private connection). This way, all those taking water (legally or illegally) can be put on a computerised database and start receiving bills.

At the same time, the four water companies will install new meters, for which they will be paid per meter. Mexico now uses jet meters, in which water turns a pin wheel as it enters the system. Given Mexico City's low water pressure, pin wheels often do not turn, and the meters do not record full water consumption. The new positive displacement meters work when water enters a chamber, and pushes the piston or disc around continuously.

The meters will be read electronically. North West Water will read them using vans that pick up a radio signal. It claims one van can read 30,000 water meters a day. The other companies will install electronic touch pad meters, of which about 500 can be read by one person a day. Now, just 30 of the old meters are read a day by one person.

With the new meters, the authorities will be able to compare water production and water use in a matter of days and reduce the amount of spare capacity needed.

When the meters are in operation, Mexico City will hand over responsibility for the maintenance of supply and collection of bills to the private water companies. In effect, each company will buy water at bulk from the city's water commission, and sell it at regulated prices to the customer. Each company will thus have an incentive to be efficient in collection and in maintenance of secondary pipes.

The eventual, though unstated, goal is the privatisation of the water system. But rather than do it immediately, the government has decided to go about it in incremental steps, in view of the appalling condition of the water system, and above all the lack of information about usage and costs.

Ice that thinks it's a liquid

It sounds like part of a fictional arctic vision of the future, a cold and forbidding landscape where computers hold sway. But binary ice is not something in the science fiction books and its applications are the mundane ones of the supermarket and the industrial plant.

Developed by a British company called Solmecs Flo-Ice Systems, binary ice is formed through the suspension of microscopic ice crystals in a salt, sugar or alcohol solution. It has the properties of normal ice from frozen water but behaves like a liquid. This means it can be pumped and easily stored.

Solmecs has been developing Flo-Ice technology for the past six years and has licensees in 20 countries in Europe (mainly Germany), Asia, Africa and South America. It hopes to conclude a further deal in France for use in supermarkets. Interest from British companies, however, is still lagging. "There's lots of inertia over here," says Len Constant, a Solmecs director, about UK companies' response to new ideas.

With concern growing about the harmful impact on the atmosphere of refrigerants containing CFCs, Solmecs believes that the greater use of binary ice would have both commercial and environmental benefits. "The increasingly intense discussion about future refrigerants is creating headaches for manufacturers of refrigeration equipment, installers and especially for end-users," Joachim Paul, head of German-based Integral Technologie (a part owner of Solmecs), said in a recent paper to the UK's Institute of Refrigeration.

Crystals of binary ice have a high heat absorption rate and, in their main application, can act as a secondary refrigerant flowing round large cooling systems at temperatures below zero. This allows companies to cut down on harmful primary refrigerants which are being phased out anyway. The need for large pipes and cooling equipment is thus reduced.

Ice can also be made at night, when energy is generally cheaper, and pumped into a storage tank for use in the daytime.

Andrew Fisher

PEOPLE

Tregoning takes on unit trusts challenge

Julian Tregoning, 46, an executive director of the Save and Prosper unit trust group, is to be the next chairman of The Unit Trust Association, which is fighting to find a role for itself in the fast-changing financial services industry.

Old Harrovian Tregoning, who has spent over 20 years with Save and Prosper, cuts a more traditional figure than the outgoing chairman, Barry Bateman, 47, managing director of Fidelity Investments. Fidelity is one of the more aggressive fund managers, while S&P is regarded by many as one of the industry's sleeping giants.

Bateman, who joined Fidelity in 1981 after stints as marketing director of Datastream and research director of brokers Hoare Govett, leap-frogged a number of rivals for the UTA chairman's job two years ago. By contrast, Tregoning (right) has arrived at the top via the more traditional route of the deputy chairmanship of the UTA.

However, one industry-watcher played down the differences in style and said that while Tregoning "might seem a bit of an old buffer, he is really quite sharp". Bateman has done a lot to modernise the UTA but his more combative style has sometimes upset powerful members.

Tregoning will have to be more than a traditional industry figurehead if he is going to make his mark. The old demarcation lines between building societies, investment trusts and other financial services, are crumbling and unit trusts are facing increasing competition from overseas funds. As a result the UTA is changing its constitution and renaming itself the Association of Unit Trusts and Investment Funds.

Tregoning is not the only new face at the top of the UTA. Victoria Philip (left), 31, Fidelity's corporate affairs manager, is replacing Gavin Grant as head of public affairs. Grant is going to do the same job at Body Shop International. She is the latest in a number of new arrivals which include Sheila Nicol, director legal and fiscal affairs, who came from the Stock Exchange, and Simon Smith, taxation adviser, who was hired from Arthur Andersen.

Electronic switches

■ Andrew Millington (above) has been promoted to sales director of COMPSOFT.

■ Doug Smith, md of Amdahl (UK), is also appointed general manager of Amdahl Northern Europe; Trevor Lafferty, formerly central regional director of Amdahl (UK), is appointed to head the business solutions unit of Amdahl Northern Europe.

■ Hisao Shima has been appointed president of RACAL-REDAC (JAPAN); he moves from Analysis Systems.

■ Paul Jennings has been promoted to director of software applications at MDIS.

■ James Norling, formerly executive director, Motorola Europe, has been appointed president of MOTOROLA Europe, Middle East and Africa, on the retirement of David Bartram.

■ Mike Hensman , formerly md of Cognos in the UK, has been appointed md of RADIUS Computer Services.

■ DATA SCIENCES, the hard-pressed computer company, has appointed Andy Roberts, a director from rival ICL, as its new chief executive.

Roberts, 40, formerly managing director of ICL Mid-Range Systems with direct responsibility for North American sales, has the challenging job of keeping Data Sciences afloat and clear of takeovers.

In the 1980s seven of the top ten suppliers to the UK computer market were UK-owned, led by Thorn EMI Software and Hoskyns. Today, only three remain: BT Customer Systems, Logica and Data Sciences. According to industry analysts, Logica and Data Sciences are both vulnerable to takeover.

Needless to say, Roberts is confident his new company has a bright future. "It is well positioned to exploit emerging markets in client/server and open systems environments."

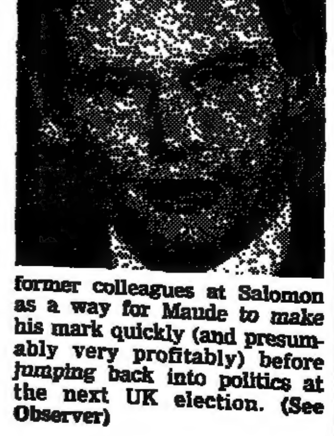
Responsibility for the UK's customs arrangements in the single European market passed yesterday to Martin Brown, the newest Commissioner of Customs and Excise. Brown becomes Director Customs, in succession to Sandy Russell who was recently promoted to deputy chairman.

Brown, 44, is a modern linguist who joined Customs from Oxford in 1971. Previous jobs included heading the anti-smuggling division and customs at Manchester Airport. He was, until his promotion, responsible for excise duties on tobacco, oil and gambling.

Outside Customs, Brown spent two years on secondment as an adviser to the government of Barbados. He also had a spell in the Treasury, as private secretary to Robert Sheldon, the last Labour Financial Secretary.

As Director Customs, Brown will head the policy division in charge of UK trade interests, control of imported freight, warehousing, free zones and control of strategic exports. In liaising with the European Commission, he will also be responsible for EC customs, duty-free shops and travellers' allowances.

Francis Maude switches American banks



Less than a year after joining Salomon Brothers, Francis Maude, financial secretary at the Treasury until he lost his seat at the last general election, is on the move again – this time to rival US investment bank Morgan Stanley. The job description (head of privatisation) remains the same, but at Morgan Stanley International, Maude will get a seat on the board as a managing director (he was only a director at Salomon) and an opening in a bank with higher standing internationally in the privatisation business.

"There is nothing particularly sinister" in the early switch, Maude says, pointing out that his new employer is "set up to do large-scale privatisation business". He tactfully declines to comment on his experiences at Salomon, where his name has not been closely associated with any large new transactions.

Still only 39, Maude has now had three careers – as a barrister, junior minister and now banker – but says: "There is time for plenty more." Though he has indicated that he will not fight to regain his old seat as an MP, he adds that his political ambitions are "not dead by any means". The move to Morgan Stanley was seen by former colleagues at Salomon as a way for Maude to make his mark quickly (and presumably very profitably) before jumping back into politics at the next UK election. (See Observer)

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MANAGEMENT: THE GROWING BUSINESS

Venture capital update

Upheavals in the venture capital industry have made it even more difficult for entrepreneurs to find a suitable backer. Established venture capitalists have withdrawn while others have refocused their activities.

The present state of the industry means it is essential for the entrepreneur to have up-to-date information. Fortunately, help is available in the shape of new editions of two established venture capital directories.

The Venture Capital Report Guide to Venture Capital in the UK & Europe, now in its sixth edition, provides the most thorough review of the UK industry.

It lists more than 100 UK venture funds as well as 70 in continental Europe. A valuable feature of this guide is the lists of the investments that have been made by each venture fund, including those that have been written off. This allows businesspeople seeking money to judge the investments that venture capitalists actually make as opposed to those that they claim to support, says Lucius Cary, editor.

Who's Who in Risk Capital 1993 concentrates on individual venture capitalists, providing thumbnail sketches, including in many cases photographs. Users value a picture when speaking to someone on the telephone for the first time or when attending conferences, says publisher Antonia Millen.

To date, Who's Who has appeared annually, giving it a slight edge over the Venture Capital Report which is updated every two years. It is also more comprehensive in its continental European coverage but cannot match its rival on its wealth of detail on the UK industry.

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Venture Capital Report Guide, Venture Capital Report, Boston Road, Henley on Thames, RG9 1DY. Tel. 0491 579999. 1,184 pages. £106 inc p&p; Who's Who in Risk Capital, Initiative Europe, 69 Bondway, London SW8 1SQ. Tel. 071 735 9838. Two volumes UK and continental Europe. 444 pages. £195 plus £4 p&p (in UK).

A target too often missed

Companies are under pressure to improve their product evolution, writes **Charles Batchelor**

Lloyd Instruments, a manufacturer of materials testing equipment, expects to have its latest product on the market by June, just seven months after starting work.

This represents a halving of the time taken to bring its previous testing machine to market, according to Roger Muttitt, chief mechanical design engineer, and "a major step forward" for a company with sales of £5m and a workforce of 75.

Lloyd Instruments has achieved this rapid reduction in the time taken to bring new products to market by getting departments such as marketing and production to co-operate more closely. It has installed a network of computers at its Fareham factory so that the engineering, design and production departments have instant access to the latest drawings and is farming out more design work to suppliers.

The names given to techniques such as these are parallel processing and concurrent or simultaneous engineering though this is a somewhat misleading term since a fully-fledged system involves marketing and purchasing as well as purely engineering issues.

The advantages to companies of these techniques are manifold: customer needs can be taken into account in the choice of product; design can use the most cost-effective manufacturing methods; and time-to-market can be reduced, increasing sales and profits.

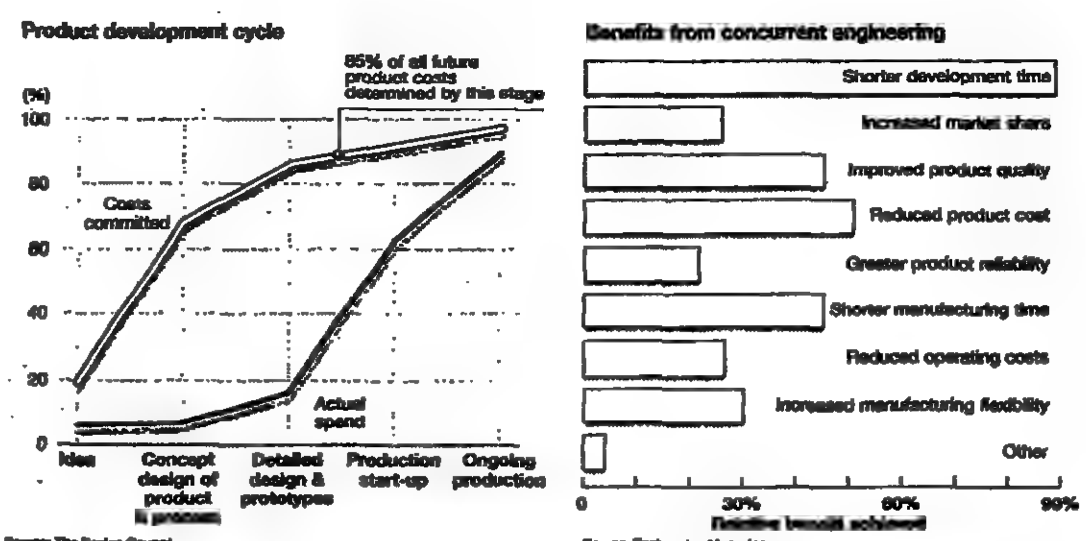
The opportunity for new products to succeed is under increasing pressure, says David Inwood, joint founder of Inwood Ryan*, a product development consultancy. "Customer requirements, tougher legislation and competitive pressures mean that products developed by traditional design- or engineering-led methods run too much of a risk of missing their target."

Using traditional techniques, the marketing department, if it was effective, would identify a market opportunity; the design department would put together a suitable product; and manufacturing would then produce it. This "over-the-wall" approach – one department would pass its work on to the next with the minimum of consultation – made for higher costs and delays.

The success of, in particular, the Japanese in reducing the time taken to bring new products to market has led to an increased interest in techniques such as concurrent engineering but there is still a long way to go.

UK manufacturing companies of all sizes have made relatively little use of concurrent engineering methods while among small and medium-sized companies fewer than one in five have adopted the technique, according to a survey of 700 companies by Engineering magazine.

Getting new products to market



Source: The Design Council

Source: Engineering Magazine

"The survey contradicts the popular view that smaller firms are inherently more flexible and innovative in their approach to design and new product development," Engineering noted.

The results of this failure to plan new product introductions properly are that projects overrun their development time by 27 per cent on average and their design costs by 19 per cent, the survey showed.

These weaknesses force many companies to adopt defensive strategies. "The added value to the customer from new products introduced in the UK is too low," comments John Benson, assistant director of industry at the Design Council**. "Small and medium-sized companies have low profitability and low investment in research and development. Very few are market leaders. They are 'me too' companies which hang on to market share by trimming production costs and shaving margins."

The starting point for new product design should be the sales and marketing department responding to customer needs. Too often companies fail to ask their customers what they want and design new products which do not meet their customers' needs, says Inwood.

Tensator, which makes "pedestrian guidance systems" consisting of posts and retractable tapes commonly used to form queues in post offices and banks, took the decision to move from being an engineering-led company to one with a sales-led strategy. "We have a deliberate policy of talking to customers and our six largest ones, including the Post Office and Marks & Spencer, have all had products specifically designed for them," says David Tuppin, sales and marketing manager.

This represents a cost-effective way of developing new products, many of which can then be sold to other customers, and the Tensabarrier now accounts for a third of the company's £7m sales.

Tensator, which is based in Milton Keynes, has also developed a more coherent approach to market research, installing a computerised database to log customer information and economic data. "These are basic marketing tools which weren't available in an engineering-led company," says Tuppin.

But while market research is a frequently overlooked part of new product design, the crucial element in fast product development is team-working, according to the advocates of concurrent engineering. The precise make-up of the team or teams will vary depending on the project and on the company, but David Inwood includes marketing, manufacturing and technology specialists. John Benson says purchasing expertise is also important given the role which suppliers can play in designing components and sub-assemblies.

Muttitt says that Lloyd Instruments is too small a company to support cross-functional teams – the same people would be in every team. But it does hold regular product development meetings led by the engineering department and involving the managing director, senior design staff and representatives of sales and production.

"We brief them on the progress of the project and discuss any action which needs to be taken by other departments," explains Muttitt. "Production can start work on the tooling while marketing can get the brochures produced."

Unlike Tensator, Lloyd Instruments does not invite its suppliers to take part in these meetings but it does delegate responsibility for sub-assemblies in fields such as bearings, electronics and cables.

A third company, Watkiss Automation, which makes paper handling systems used to collate brochures and multi-set invoices, also depends on its suppliers for help in specialist areas but has in other respects chosen a different route to reducing development times.

Watkiss, which has turnover of £4.2m and a workforce of nearly 60, has brought some jobs in-house because it believes it can get work done more quickly. The company produces its own tooling for making plastic mouldings because of the delays involved in using outside companies and it also brought its software and printed circuit design work in-house. Initial market research can also be carried out internally because Watkiss has printing activities so knows from its own experience what it wants from a paper handling system.

Just over a year ago the Sandy, Bedfordshire-based company launched a modular paper handling system which allowed customers to assemble a system that met their precise needs. Designing the new equipment took two and a half years and cost more than £500,000 but it has led to a near-doubling of Watkiss's turnover and taken 40 per cent of its market sector. The length of the development period reflected the large amount of innovation involved, says Jo Watkiss, public relations manager.

Despite winning awards for its designs, Watkiss makes less use of the product design vocabulary familiar to companies such as Tensator and Lloyd Instruments. Product design is handled by its eight-strong research and development team composed of designers and engineers.

This may reflect the fact that Watkiss is a family-owned company – six family members are at present employed, while Tensator and Lloyd Instruments are subsidiaries of larger, international groups. But whatever technique is used, companies cannot avoid the growing pressure to improve their approach to product design.

**Inwood Ryan, The Grange, Market Street, Swavesy, Cambridge, CB4 5QG. Tel. 0954 32555.*

***The Design Council is preparing a series of new product development seminars scheduled to begin in September. A booklet, New Product Development, containing 12 company case histories, is available. £10. Design Council, 28 Haymarket, London SW1Y 4SU. Tel. 071 839 8000.*

Happy with the boss

Working in a small business is often thought to involve poor working conditions and putting up with an autocratic boss. But a survey* of small firms in the services sector and their employees paints a more favourable picture.

Ninety four per cent of employees said they got on well with their boss while three quarters of owner-managers said they had arrangements for consulting their staff. Most employees said supervision was not close, the researchers from Kingston Business School found.

The survey covered 81 businesses and 175 employees in four business sectors: advertising, marketing and design; computer services; employment and secretarial agencies; and pubs, wine bars and restaurants.

Six out of 10 employees said they received full pay when off sick while more than one in five had a company car. But pension schemes and paid holiday arrangements were less generous than the national average.

Forty per cent of employers said they would resist recognising a union but nearly a third said they would not object if their employees wanted union representation. However, only a quarter of employees would join a union if the opportunity arose.

One third of employees were part time and more than half were women. While most employers had no preference for either men or women, those who did expressed a preference for women, who were regarded as more hard-working and reliable.

Nearly half of employers reported problems in finding suitable staff regardless of local unemployment levels. Few made use of agencies or job centres, preferring direct approaches and personal recommendation by existing employees.

CB

**Employment and Employment Relations in the Small Service Sector Enterprise, by James Curran and others. Kingston Business School, Kingston Hill, Surrey KT2 7LB. Tel. 081 547 7247. 211 pages, £40.*

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ENQUIRIES TO:

Bernard Uniacke, F.C.A., Deloitte & Touche, Chartered Accountants, 4 Lapps Quay, Cork, Ireland.

Telephone: 010-353-21 277755. Fax: 010-353-21 277021.

or Barry Caldwell, A.C.A., Tipperary Textiles Limited (In Liquidation), Thurles, Co. Tipperary. Telephone: 010-353-504 22355. Fax: 010-353-504 22074.

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The Electrical Supply Co (City) Limited	Electrical Wholesaler	2.0
FP Fire Protection Services Limited	Fire Protection Services	3.5
JL Joinery Limited	Bespoke and Batch Joinery	4.7
Riverside Mouldings Limited	Decorative Plasterwork	1.0
Online Construction Limited	Ground Works	3.0
John Lelliott (Structural Renovations) Limited	Concrete Repairs	3.0

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The companies operate as stockists and distributors of welding equipment and related products and both operate comprehensive service and maintenance departments. They are well established businesses and have a good reputation in the industry. The companies are located in Levenshulme, Manchester and Wakefield, Yorkshire.

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For further information, please contact the Joint Administrators, CM Clapp or A Lovett. Ernst & Young, One Bridewell Street, Bristol BS1 2AA. Telephone: 0272 290 808. Facsimile: 0272 260162.

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For further information please contact V.C. Wright or B.R.A. Callaghan, at Chantrey Vellacott, Chartered Accountants, Russell Square House, 10/12 Russell Square, London, WC1B 5LF. Tel: 071 436 3666 Fax: 071 436 8884

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April 29 1993

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PETROBRÁS *informs* that the deadline for submission of the Bids has been postponed to April 28, 1993, and that the address, time and procedures established in the Bidding documents will remain unaltered.

COMPANY NOTICES

REPAP ENTERPRISES INC.
US $200,000,000 FLOATING RATE NOTES DUE 1997

For the period 19th April 1993 to 19th July 1993 the Notes will carry an interest rate of 4.125% per annum. The amount payable per US $250,000 will be US $2606.77 payable on 19th July 1993.

Agent Bank
Barclays Bank PLC
Stock Exchange Services Department
168 Fenchurch Street
London EC3P 3HP

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(Public Power Corporation)

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NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 21st April, 1993, the Notes will bear interest at the rate of 5⅝% per annum. The Interest payable on 21st October, 1993 against Coupon No 22 will be U.S. $14,614.58 per U.S $500,000 Note.

Fiscal Agent
ROYAL BANK OF CANADA EUROPE LIMITED

THE HONGKONG AND SHANGHAI BANKING CORPORATION, LIMITED
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

Notice is hereby given to the holders of these notes that copies of the Annual Report and Accounts of the Bank and of its parent company, HSBC Holdings plc, for the year ended 31 December 1992 are available from the Group Public Affairs Department, 10 Lower Thames Street, London EC3R 6AE.

20 April 1993

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BUSINESS AND THE LAW

UK benefits discriminatory

EUROPEAN COURT

The European Court of Justice has ruled that invalidity benefits which discriminate against women can only be justified under EC legislation if the form of the discrimination already exists under other benefit schemes and is necessary and objectively linked to the difference in retirement age.

The case concerned the right in the UK to severe disablement and invalidity care allowances. Both sets of allowances cannot be claimed by individuals over retirement age, which in the UK is 60 for women and 65 for men.

The case was brought by five women who were refused the *allowances because they had* reached the age of 60. The House of Lords asked for a preliminary ruling from the European Court on the issue of whether UK law was compatible with EC law.

The court ruled that the statutory *schemes fell within* the scope of the relevant EC legislation. The UK legislation was discriminatory and could only be justified under a provision in the EC legislation which allows member states to determine for themselves the pensionable *age* "for the purposes of granting old-age and retirement pensions and the possible consequences thereof for other benefits".

The court then relied on a recent decision involving the UK *Equal Opportunities Commission.* This was to determine that forms of discrimination provided for in benefit schemes other than old-age and pension schemes can be justified only if such discrimination is necessary to avoid disrupting the *financial equilibrium of the social* security system or to ensure consistency between retirement and other benefit schemes.

In a rare move for a preliminary ruling, the court held that as it was called on to provide worthwhile answers for the national court, it had the jurisdiction to give guidance as to whether the criteria justifying discrimination existed in fact. In this fact-finding guise the court strongly found against the UK schemes and the arguments put forward in their support by the UK government.

C-328/91: Secretary of State for Social Security v Thomas and others, ECJ 6CH, March 30 1993.

German rules restricting mutual recognition valid.

The European Court has upheld German rules which restrict the use in Germany of a master's degree *obtained* from a university outside Germany without authorisation from the local authorities.

The case was brought by a Mr Kraus, who obtained a masters degree from Edinburgh university and hoped to use it to continue his legal studies in *Germany.* The local authorities refused to accept his degree because it was not accompanied by the relevant form and DM 13, as required under German law. Mr Kraus argued the German law was incompatible with Rome Treaty provisions on the free movement of workers and the right of establishment.

The court on a preliminary reference from a Stuttgart court held first that the subject matter was governed by EC law. However, at the time the case was brought there was no specific legislation dealing with postgraduate degrees.

Member states were therefore competent to deal with such matters in their own territories. However such action by member states was limited to restricting the exercise of the fundamental rights to free movement and establishment which were guaranteed by the Rome treaty.

C-19/92: Kraus v Land Baden-Wurttemberg, ECJ FC, March 31 1993.

German licence rules on canal navigation valid

German rules which only allow carriers access to canals in Germany if they are in possession of *an accredited navigation licence* were upheld by the European Court. The court upheld a member state's right to employ this type of licence scheme, but emphasised that members were not entitled to modify such schemes in a manner which discriminated against carriers from other EC countries.

Joined Cases C-184/91 and C-221/91: Oeburg and van Messem v Wasser-und Schiffahrtdirektion Nordwest, Aurich, ECJ 6CH, March 31 1993.

BRICK COURT CHAMBERS, BRUSSELS

Liquidating ambiguity

John Mason on the SFO's increased powers to use material obtained by liquidators against suspects in court

The powers of the UK Serious Fraud Office to use information obtained under questioning when a suspect's "right to silence" has been removed have once again been strengthened.

In a recent judgment, the Court of Appeal removed any restrictions on the SFO using material obtained by company liquidators or administrators as evidence in a criminal trial.

This means that any information gathered by liquidators using their powers under section 236 of the Insolvency Act 1986 to compel interviewees to answer questions can be demanded by the SFO and used freely in subsequent criminal prosecutions.

The ruling was received by the SFO as a welcome clarification of the relatively new body of law affecting its powers. It undoubtedly *amounts to a strengthening of these* powers. As one appeal court judge said, it is likely to make SFO prosecutions more efficient, render issues clearer to juries and speed up some over-long fraud trials.

However, the ruling has been seen by some defence solicitors as a further example of the creeping erosion of their clients' traditional protection against self-incrimination.

Concern has also been expressed – largely by liquidators – that the ruling could hinder both liquidators and administrators in carrying out their work quickly and efficiently in the interests of creditors.

The legal challenge was brought by lawyers acting for Mr Muhammed Naviede, the head of the Manchester-based Arrows Group, who currently faces fraud charges brought by the SFO. In his wake, further challenges were also mounted by two defendants facing charges over the Maxwell affair – Mr Kevin Maxwell and Mr Larry Trachtenberg.

The long-running action brought by *Mr* Naviede reached the *High* Court last November.

Mr Justice Vinelott ruled then that while the SFO could demand that liquidators pass over transcripts of section 236 interviews, restrictions should be placed on the use *of this material; in addition* an undertaking should be given by the director of the SFO that he would not use the transcripts in ways inconsistent with those restrictions.

These restrictions were identical to those placed on the SFO in relation to information it obtains from its own "section 2" interviews when the right to silence is removed.

These curbs prevent the SFO using such information in direct evidence. Such material can only be used when a defendant, giving evidence at trial, makes a statement that is inconsistent with evidence given during a section 2 interview.

Last month these restrictions were removed by the three appeal court judges, Lord Justice Dillon, Lord Justice Steyn and Lord Justice Rose. They gave the reasons for the judgment just before Easter.

Kevin Maxwell, left, and Muhammed Naviede: lawyers brought challenges

The thrust of their argument was that the Criminal Justice Act 1987, which legislated for the creation of the SFO and its powers, was perfectly clear on the point.

It was plain that, under the wording of section 2 of the act, liquidators should be regarded as persons from whom the SFO was entitled to demand information, Lord Justice Dillon said. Civil courts had neither the jurisdiction to impose restrictions on the SFO's use of this information nor the power to exact undertakings from the director of the SFO, he added.

Liquidators should not offer confidentiality to persons they are about to question

The implications of removing the High Court's restrictions prompted different responses from liquidators. Their central concern was whether or not the effective removal of all confidentiality from interviews would damage their ability to collect information from company directors who might fear prosecution.

Ernst and Young, the liquidators of Arrows, saw no reason why the efficient conduct of liquidations should be adversely affected. However, administrators acting for various Maxwell companies took a different position, arguing that the public interest in ensuring that liquidations are efficiently carried out justified restrictions on the SFO's use of their information.

The restrictions imposed by Mr Justice Vinelott in the High Court had struck a reasonable balance between the public interest in prosecuting fraud and the public interest in the speedy and efficient conduct of liquidations, they argued.

The restrictions would mean that the readiness of people questioned by liquidators to talk openly would not be impaired.

Lord Justice Dillon said: "The reasoning is that persons examined under section 236 are more likely to be co-operative and to give full and truthful answers to office-holders if they believe that their answers will be treated as confidential and will thus not be used against them in any prosecution.

"Consequently it appears that some office-holders make a practice of giving assurances of confidentiality to persons who are being examined under section 236."

However, in rejecting the public interest argument, he pointed out that under the Insolvency Act, statements made during a section 236 interview can be admissible evidence in criminal as well as civil proceedings.

Liquidators should plainly not offer assurances of confidentiality to persons they are about to question when these would be inconsistent with other statutory obligations such as those owed to the SFO under section 2 of the Criminal Justice Act, he said.

Any assurance given by a liquidator to a director of a company which would prevent the liquidator from fulfilling another statutory obligation would be invalid.

When the scope of current legislation became more widely appreciated, the practical difficulties faced by liquidators would be reduced, he said.

Afterwards, Mr Mark Homan of Price Waterhouse, president of the Society of Insolvency Practitioners, said the ruling could make directors marginally less willing to answer questions during section 236 interviews.

However, in other cases, the clarification of the law could encourage people to disclose more information voluntarily, rather than less.

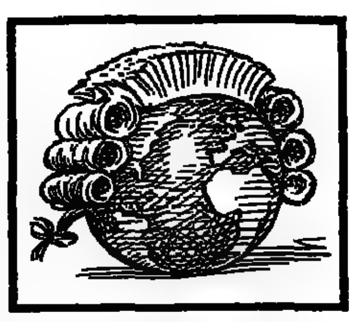
Mr Neil Cooper, head of corporate recovery at Robson Rhodes, said that the ruling might affect the amount of information passed to liquidators, but agreed it could have long term benefits.

Although company directors could go to great lengths to avoid giving information, liquidators had to be very circumspect about "cosy deals" not to pass information on to the SFO, he said.

"We have always regarded the need to be able to communicate information to the relevant authorities as one of the prices we have to pay." He agreed liquidators could benefit from the Court of Appeal clarification.

"Liquidators don't want to be put in the *middle* between *company* directors and the SFO in proceedings which may not advance the case of creditors at all," he said.

Legal Briefs



Swiss senior law partners are best paid in Europe

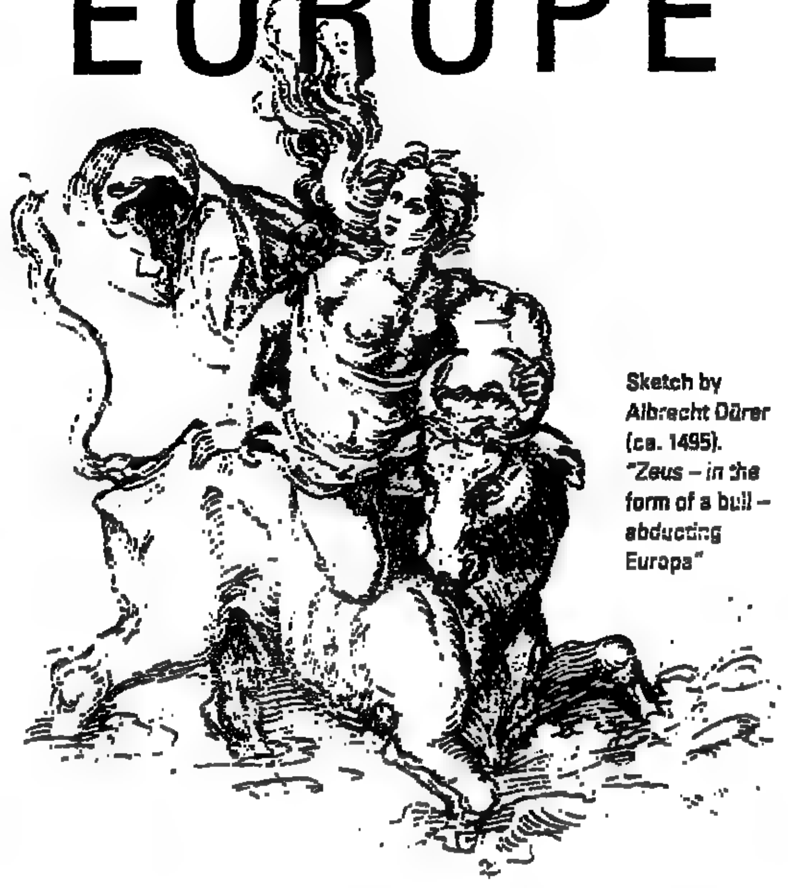
SENIOR partners in Swiss law firms are the best paid commercial lawyers in Europe, earning an average of $490,000, according to a survey by the International Financial Law Review. Partners in German firms are the next best paid, earning on average $465,000, followed by senior partners in UK firms earning an average of $440,000. Ignoring averages and looking for the highest paid lawyers overall, the IFLR says partners in German commercial law firms come top. Senior partners in Frankfurt firms are reputed to earn about $840,000 a year, it says, with the highest paid partners earning as much as $1.2m.

The highest paid partners in top City firms are said to earn up to $825,000. Over the past few years partners have seen their profits stagnate and salary rises for associate solicitors have been minimal, one managing partner of a City firm told IFLR. Bringing up the rear are Portugal and Greece where partners earn on average $165,000 and $125,000 respectively.

Bar exams inquiry

THE UK Commission for Racial Equality has confirmed that it is to conduct a formal investigation into the Council for Legal Education, which runs the finals course for the Bar. The inquiry follows complaints about the high failure rate of ethnic minority students. Preliminary inquiries have produced sufficient grounds for belief that discrimination may have occurred in the Council's examination system (the Bar exams), the CRE says. The start of the formal investigation will be delayed until *September*, however, to allow an interim report by the Council's own inquiry team to be published in August.

THE CHALLENGE OF EUROPE



Sketch by Albrecht Dürer (ca. 1495). "Zeus – in the form of a bull – abducting Europa"

1992: SATISFACTORY RESULT IN A DIFFICULT ENVIRONMENT

Electricity and Trading/Transportation/Services continued to increase their profit contribution. Oil was clearly down on the good result of the previous year. Chemicals closed the year with a large loss. At DM 1,214 million, the overall operating result was 6.7% below that of the previous year. Earnings per share amounted to DM 26.20 against DM 29.00 in the preceding year.

GOOD PROSPECTS THROUGH RECOVERY IN THE EAST AND EUROPEANIZATION OF THE MARKETS

All of the Group divisions are well prepared for the challenge of Europe.
The Group's prospects will be substantially determined by the economic recovery in the new states, the Europeanization and internationalization of the markets and the opening of Eastern Europe. This includes stronger competition between the different locations. We realize the extraordinary opportunities but are also aware of the risks arising from the political and economic environment.

CONCENTRATION ON CORE ACTIVITIES; THE CHALLENGE OF EUROPE

Expansion and growth of the Group will take place in the existing fields. One focus of our strategy is the Europeanization in areas that today are still largely national in scope. Here, the European competition will be the yardstick for a critical examination of our activities.
In the existing fields, we see numerous opportunities in Eastern and Western Europe. An entry into new business areas can be considered only if, in addition to high return expectations and favorable long-term prospects, there is the possibility of transferring experiences and knowledge from existing activities to new ones. One example of this is our entry into the mobile telephone market (E Plus).

ALL DIVISIONS FACING GREAT TASKS

In addition to expanding our electricity sales area into the new states, the emphasis is on European cooperative arrangements. Together with European partners, we will participate in the reorganization of the Eastern European electricity industry.
A promising start has been made with the interest acquired in the Swedish utility SYDKRAFT. The first joint project is an electricity link between Southern Sweden and Schleswig-Holstein (BALTIC CABLE Project).
The flagging economy has affected our Chemicals and Oil Divisions, in particular. In the Chemicals Division, the measures being taken focus on improving the cost situation and concentrating on fields with high returns. Considerable capital spending in Europe and the U.S. will serve to secure our position as a leading worldwide supplier of specialty and performance chemicals, silicon and specialty polymers.
The Group's Oil Division is pursuing the long-term objective of further increasing the level of supply of our refineries with our own oil. To this end, significant projects are being pursued in the North Sea and the C.I.S.
In petroleum distribution, we are continuing to expand our service station network in the new states and in neighboring countries of Eastern Europe.
The Group's trading companies are selectively expanding their European business and aiming for leading positions in their most important activities. This includes the Eastern European markets. In the Transportation Division, we will gradually implement a European integrated logistics system that will include our various transportation systems.

VEBA SHAREHOLDING

With 486,000 stockholders, VEBA is one of the largest publicly owned companies in Europe. Foreign investors currently hold 34% of VEBA's capital stock. Most of them live in other European countries, where VEBA has some 20,000 stockholders.

Copies of the 1992 Annual Report may be obtained from VEBA AG, Public Relations, Bennigsenplatz 1, 4000 Düsseldorf 30, Germany, Tel ++49-211-45 79-3 67, Fax ++49-211-45 79-5 32

Group Key Figures		1992	1991	Change
Sales	DM million	65,419	59,505	+ 9.9%
Operating Result	DM million	1,214	1,301	– 6.7%
Earnings per Share	DM	26.20	29.00	– 9.7%
Cash Flow Ext. Group	DM million	7,946	7,476	+ 6.3%
Capital Spending Ext. Group	DM million	7,336	7,418	– 1.1%
Personnel (as of Dec. 31)		129,802	116,979	+ 11.0%

VEBA

In the right place at the right time

William Packer reviews Georgia O'Keefe, long-standing doyenne of American art

Reputation was ever an insecure quality, and never more so than in *our own time*. Yet we grow oddly reluctant, not so much to question as actually to prick the bubble. Or is it perhaps that in this age of free-standing, self-sustaining fame, the bubble has become more resilient, impervious, more a sort of rubber ball? In the world of art, *certainly, there* are reputations that once established, just go bouncing on and on, the vested interests of commerce, tourism or national pride, as the case may be, simply too interested to miss a beat.

As for the lucky artist, the trick is often simply to be in the right place at the right time and, if the luck is really in, then to let the reputation float quite free of the work as such. Georgia O'Keefe had all the luck she could have wanted, let alone needed. She was a woman of striking if severe beauty, married to a remarkable photographer, Alfred Stieglitz, who had encouraged her in her early career and largely created and sustained her personal image. Her country needed her, in the sense that in her prime, between the wars, there were few other artists indigenous to America that could be promoted convincingly in terms of international modernism, and none at all so particularly and romantically American in her subject-matter – the wide, open spaces of the south-western desert states of America, the old frontier. She lived to an immense old age, dying at 99 in 1986, the long-standing doyenne of American art, loaded with honours and quite beyond criticism. Now there is the Georgia O'Keefe Foundation, at Abiquiu in New Mexico, to keep her reputation for posterity.

It is only when we come to the work itself, the foundation upon which this impressive edifice of reputation is set, that the questions and the doubts come flooding in – or do they? The wonderful irony of this present exhibition is that so judiciously critical an opportunity should be presented to us as the vindication and celebration of a great artist's career and achievement, and sent on a world-wide tour. I am all for the proper critical study of any substantial reputation, that must take its chance for good or ill. And the Hayward Gallery, at my mid-week visit just after Easter, was filled by a studious and, more to the point, respectful crowd, predominantly young and – should I even notice, let alone say such a thing? – female.

Clearly the work strikes a plangent chord in many breasts, and it is easy to see why. Whatever its other qualities, a characteristic O'Keefe has a graphic simplicity that reproduces well. Posters and cards have made her imagery familiar to a general audience far beyond the particular interest of modern art, and the explicitly sexual and ecstatic connotations of her flower-heads, seen in exploratory close-up, of bare, rolling hills and eroded valleys, swirling clouds and symbolic abstractions, are obvious enough. The metaphor of woman celebrating and idealising her own sexuality is irresistible to the feminist, which constituency today is enormous.

And it is quite as hard for the more disinterested viewer to resist the conclusion that the general response to the work of Georgia O'Keefe hangs entirely on the nature of its imagery. For when we come to examine these paintings as painting, they reveal themselves as poor, thin stuff indeed. The first surprise is how little of it there is, to stand for so long a life, but the greater surprise is the lack of any true development within it. Changes in immediate preoccupation there may have been, now flowers, now skies, now the embarrassingly inept surrealist pastiches of the *1950s, but technically they remain the* same.

Small or large, always they are out of scale, the paint on the surface inadequate or inappropriate to the purpose, the drawing flaccid, the mark light, uncertain, perfunctory. And there is no real sense of the artist looking hard at the real world, whether to allow painterly invention to feed intuitively upon the subject before it, or to develop later into informed abstraction. Rather it is that the image is all – which is another way of saying that the painter is no painter at all. For the true painter is always quite as much engrossed in the stuff of the painting he is making, as the pigment comes of the brush onto the canvas, as he is in the external reference or stimulus.

With Georgia O'Keefe there is the initial look, but no scrutiny, and the paint a mere question of filling in between the lines. Her barn in the snow might as well have ben painted by an artist who had never seen snow, but only told that it was white. Her tree-trunks, writhing together, are paper-thin, volumeless, cut crisp and clean as scenery at their edges and overlays. Her skyscraper is but a matter of poorly-drawn white blocks on a dark ground. Her little wooden virgin, so charming a votive figure at first sight, stands unresolved in all its proper form and significant detail. I suspect she used photographic reference far more than has been admitted, for the photograph, notoriously deceptive, always withholds more information than ever it offers as image.

Clearly she believed in her own myth, which remains evidently potent after her death. The hard truth is that she was a weak draughtsman and at best an indifferent painter. Was it her sense of her own technical inadequacies that moved her to break with the art schools, where she had studied and taught, and go west into the desert? "Where I was born and where and how I have lived is (sic) unimportant. It is what *I* have done with where *I* have been that should be of interest." Indeed it should be.

Georgia O'Keefe: American and Modern; the Hayward Gallery, South Bank SE1 until June 27, then on to Mexico City and Yokohama. Sponsored by American Airlines

'Horse Skull on Blue', 1930 by Georgia O'Keefe at the Hayward

Obituary

Dame Elisabeth Frink, RA

Elisabeth Frink, who died at the week-end at the age of 62, after a long illness, was unique in her generation as a British woman sculptor of international standing. She was of that immediate post-war generation that was at once formed by and rejected the example of Henry Moore and Barbara Hepworth, committing itself rather to a more openly expressionist sculptural figuration, dynamic in its modelling and urgent in its effect, "the Geometry of Fear" as the conventional description of the time would have it.

But Miss Frink was always her own distinctive self in her work, and her particular interest in animal subjects, which did so much to revive the old and honourable *animalier* tradition within the context of modern sculpture, always set her apart. Her work for the rebuilt Coventry Cathedral, notably the eagle lecturn, established her national reputation, and she remained thereafter prolific in the production of public sculpture, often within a religious context.

Horses and riders, warriors and the monumental male image became her favoured subjects, and as with Moore and his reclining women, it will be by the massive, totem heads, bullet-headed and blankly staring, that her work as an artist will most readily be called to mind.

W.P.

Theatre/**Malcolm Rutherford**

A Love Song for Ulster

If you want tickets for the most exciting new drama in London, you should telephone the Tricycle Theatre in Kilburn straightaway. Since it is quite possible that it will be already sold out, the next best hope is that it will be performed elsewhere – say at the Royal National's Cottesloe Theatre.

A Love Song for Ulster is a trilogy by Bill Morrison about the Irish question since the creation of the border in 1922 to the present day. The three parts, *The Marriage*, *The Son* and *The Daughter*, can be seen separately. It is probably best to see them all on a single day – as they were premiered on Sunday, spread over eight hours with ample breaks for tea and supper. The experience comes as close to catharsis as you can expect to find in a modern play.

Love Song does not stand out so much for the quality of the writing. Morrison's script would go down just as well as a six part series on television, and one hopes that some day it will. On stage it is the quality of the acting and direction, and the immediacy of the contact with the audience, that count. In Nicolas Kent's production with an all Irish cast, these come close to perfection.

Some members of the audience initially thought that the first part of the trilogy, covering the period 1922-36, was too slow. Yet by halfway through the second part, which takes the action on to 1969, it is clear that the beginning is essential for an understanding of subsequent troubles. From then on I have rarely seen an audience so hooked.

Morrison works in the Greek mould even down to having a kind of chorus commenting on the action, sometimes close to it, sometimes detached. He picks out one family and sticks to it over generations. A mother and her daughter, Kate, are arbitrarily separated at the time of the introduction of the border, the mother going south, the daughter staying north. The details of the plot would seem complex on paper but are straightforward enough on stage. There is rape, murder, pillage, yet also love and reconciliation. The family, continually intertwining, is a microcosm for events in Ireland.

An underlying theme is male domination. In southern Ireland this comes about because of the power of the priesthood which terrifies women into submission to their husbands. In the north the men are presented as believing in male supremacy for its own sake. There are a lot of religious references in the course of which the line "God forgives all men" takes on a new meaning.

The more subtle theme, however, is that the Irish are more ready to live together than the evidence of events of events suggests. They are deterred from doing so by history, prejudice, extremists on either side and perhaps ultimately by a lack of self-confidence which goes back to the historical point: who rules Ireland?

Love Song goes about as far as is possible to go without a potential libel action in placing a lot of the blame on the likes of Ian Paisley. The protestant minister played by Walter McMonagle is the contemporary villain of the piece, growing visibly better dressed while seeking more and more land for his church: he just about keeps his fingers clean while encouraging the violence.

There is some mild mocking of an Irish priest and the Irish Republic is ridiculed for its policy of proclaiming its belief in Irish unity without doing much to achieve it. But anyone who says that *Love Song* lets off the IRA comparatively lightly would have a case. The other culpable party is the British. True, the British officer who presides over partition has become less of a dummy when he returns with the British troops in the late 1960s, but the brutalities are not spared. The motivation here is questionable. Morrison suggests that the real reason for the British presence is the protection of the sea routes on behalf of Nato. When the Berlin Wall comes down, it is implied that the troops will go away as part of the defence cuts. That has not happened.

Never mind the details, however. This is a play to make people talk about Ireland and the atrocities in Bosnia as well. The performances by John Keegan as a loyalist husband and Orla Brady as Kate are superb, but so are they all. Terry Mortimer combines playing the British officer with the musical direction which is an essential part of the piece.

Tricycle Theatre, NW6 (071) 328 1000. Trilogy days Saturdays and Sundays until May 16

John Keegan, Orla Brady and Brendan Coyle

Alastair Muir

Concert/**Max Loppert**

Günter Wand and the BBCSO

Friday's BBC Symphony Orchestra concert at the Festival Hall was a great occasion. The orchestra's recently-instituted policy of low-priced, unreserved tickets for its South Bank schedule had obviously contributed to it: every seat was occupied, and in a "democratic" way that lent to this normally neutral environment an touch of Proms elation.

But mainly, of course, it was the music-making that caused the air of festivity. Concert-going London, having at last realised that every one of Günter Wand's appearances with this orchestra is precious, is determined to make the most of them. In 25 years of regular Festival Hall attendance I can recall few events characterised by so rapt a feeling of audience absorption in the music itself. Wand, in his early 80s, seems to represent a tradition of symphonic interpretation that gains ever more meaning and value as its true upholders diminish in number.

In Wand performances, every note tells. As Friday's gloriously clear, balanced and truthful BBC accounts of the Schubert Eighth and Bruckner Ninth symphonies showed once again, those famously painstaking Wand rehearsals are never an end in themselves: they have as their purpose the sustenance of intelligent and intelligible re-creative musicianship.

The union of exact dynamics and tempo choice, graceful phrase-shaping, evocative colouring and forwardness of rhythm made *the Schubert a continuous* revelation – not because there was anything in the least outlandish about it, but because Schubertian execution of this sort, alert to the sense and inner workings of the score, is always a wonderful surprise.

The BBC's Bruckner symphonies under Wand have become celebrated. He does not direct the players toward craggy heights or searing depths of expression, toward squeezing out the last degrees of blissful sweetness or awesome thunder. The hammer-blows of the Scherzo were each placed for their proper weight and purpose – no more, but also no less. The phrasing of those angular melodic intervals at the start of the Adagio had not an ounce of egregious portentouaness in it. Everything in the performance seemed directed toward a conclusion justly and honestly arrived at.

In verbal description this may sound a temperate goal, a somewhat bland achievement; in the Festival Hall last Friday it proved thrilling. This pairing of Schubert's and Bruckner's unfinished symphonies has often been made in concert programmes. Rarely has each *work sounded, in the best sense, so* finished.

BBC Symphony Orchestra at the Royal Festival Hall, London SE1, broadcast live on Radio 3

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight, Thurs, *Sun afternoon: Ken-Ichiro* Kobayashi conducts Netherlands Philharmonic Orchestra in works by Ravel, Berlioz, Chausson and Saint-Saens, with violin soloist Nikolai Madoyan. Thurs and Sat (Kleine Zaal): Borodin Quartet. Fri: Donald Runnicles conducts *Rotterdam Philharmonic* Orchestra in works by Beethoven, Sibelius, Pärt and Britten, with violinist Leonid Kavakos. Sat afternoon: Kirov Opera concert performance of Prince Igor. Sat evening: Philippe Entremont is conductor and piano soloist with Netherlands Chamber Orchestra. Sun: Ivo Pogorelich piano recital. Next Tues: Kirov Opera performance of Evgeny Onegin (6718 345)
Muziektheater Tomorrow, Sat (runs *till May 4): Graeme* Jenkins conducts Tim Albery's Bregenz Festival production of Catalani's La Wally (6255 455)

■ ANTWERP

Tonight at deSingel: *Alain Franco* conducts Champ d'Action ensemble in works by Boulez, Dillon and Birtwistle, with mezzo soloist Elisabeth Laurence. Thurs at Stadsshouwburg: Frankfurt Ballet *opens two-week residency* (234 1188). Sun and next Tues at De Vlaamse Opera: Stefan Soltesz conducts an orchestral concert, with soprano soloist Luana DeVol (233 6685)

■ BRUSSELS

Cirque Royal Rudra Béjart Lausanne season runs daily except Mon till April 28, with a series of new Béjart choreographies inspired by Charlie Chaplin. April 30 at Monnaie: first night of new production of Anna Bolena (219 6341)
Palais des Beaux Arts Thurs: Ronald Zollman conducts Belgian National Orchestra in works by Rakhmaninov and Dvorak, with piano soloist Mikhail Rudy. Fri: Alexander Rahbari conducts Belgian Radio Orchestra in works by Wagner and Mahler, with mezzo soloist Elisabeth Laurence. Mon: recital for two pianos by Robert Groslot and Daniel Blumenthal. Next Tues: *Julliard String* Quartet (507 8200)
Théâtre National Thurs: world premiere of Lady Will, a one-woman show about Shakespeare's women characters. Text by Dominique Serron, starring Véronique Dumont. Daily except Sun and Mon till May 15 (217 0303)

■ CHICAGO

Orchestra Hall Tonight: Mishiyoshi Inoue conducts Chicago Symphony Orchestra in a Mahler programme. Thurs, Fri: Myung-Whun Chung conducts symphonies by Haydn and Berlioz (435 6666)

■ VIENNA

Staatsoper Tonight and Sun: Un ballo in maschera with Mara Zampieri, Peter Dvorsky and Leo Nucci. Tomorrow and next Tues: Andrea Chenier with Bruno Beccaria, Renato Bruson and Maria Guleghina. Thurs: Aida with Maria Dragoni, Marjana Lipovsek and Lando Bartolini. Fri and next Mon: Arabella with Lucia Popp and Franz Grundheber. Sat: Le nozze di Figaro with Lucio Gallo and Bryn Terfel (51444 2955)
Musikverein Tonight: James de Priest conducts Tonkünstler Orchestra in works by Berg and Bruckner, with violin soloist Christian Altenburger. Tomorrow, Thurs, Fri: Gary Bertini conducts Vienna Symphony Orchestra in works by Beethoven and Stravinsky. Sat and Sun: *Michael Schoenwandt* conducts Berlin Symphony Orchestra in works by Richard Strauss, Franck and Schoenberg, with piano soloist Cecile Ousset. Mon: Neville Marriner conducts Gustav Mahler Jugendorchester in works by Shostakovich, Bruch and Elgar, with violinist Maxim Vengerov (505 8190)
Konzerthaus Tomorrow: Bernhard Steiner conducts Vienna Chamber Orchestra in works by Haydn, *Mozart*, Sulzer and Tchaikovsky. Thurs: English Guitar Quartet. Fri: Klangforum Wien plays works by Varese, Scelsi and others. Sun morning: Pinchas Steinberg conducts Austrian Radio Symphony Orchestra in Verdi extracts, with Julia Varady and Renato Bruson. Sun evening: Yan Pascal Tortelier conducts BBC Philharmonic Orchestra in Maxwell Davies, Elgar and Tchaikovsky, with cellist Steven Isserlis (712 1211)

■ THE HAGUE

Dr Anton Philipszaal Tomorrow: members of Hague Philharmonic, with pianist Fred Oldenburg, play chamber music by Keuris, Schnittke and others. *Thurs and Fri:* Janos Fürst conducts Hague Philharmonic Orchestra in Brahms' First Piano Concerto (Peter Frankl) and Schumann's Third Symphony. Sat: Ivo Pogorelich piano recital. Sun afternoon: Alexander Lascae conducts *Arion Ensemble in works* by Borodin, Shostakovich and Tchaikovsky, with piano soloist Vladimir Mischuk. Next Mon: Philippe Entremont is conductor and piano soloist with Netherlands Chamber Orchestra (360 9810)
Danstheater *Thurs, Fri, Sat:* Nederlands Dans Theater mixed bill, including new work by Hans van Manen (360 4930)

■ UTRECHT

Vredenburg Fri: flamenco evening. Sun afternoon: Jansug Kakhidze conducts Radio Philharmonic Orchestra in works by Tchaikovsky and Shostakovich. Sun evening: Netherlands Wind Ensemble. Next Mon: Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in works by Ravel, Berlioz, Chausson and Saint-Saens. Next Wed: Kirov Opera (314544)
Stadsshouwburg Tomorrow: Nederlands Dans Theater mixed bill, including new work by Hans van Manen (310241)

■ ROTTERDAM

De Doelen Tonight: Moscow Quartet plays works by Mozart and Shostakovich. Tomorrow: Donald Runnicles conducts Rotterdam Philharmonic Orchestra in works by Beethoven, Sibelius, Pärt and Britten. Fri: Valery Gergiev conducts *Kirov Opera Orchestra and Chorus* in Rakhmaninov's Third Symphony and The Bells. Sun afternoon: Kirov Opera concert performance of Boris Godunov. Sun evening: Monty Sunshine's Jazzband. Next Tues: Slovak Philharmonic Orchestra (413 2490)

■ ZURICH

Opernhaus Tomorrow and Sat: Massenet's Herodiade with Grace Bumbry and Cecilia Gasdia. Thurs and Sun: Ruth Berghaus' production of Elektra with Deborah Polaski. Fri: ballet mixed bill, choreographies by Nijinski, Bernd Bienert, Arthur Saint-Leon and Jorma Uotinen. Sun morning: Manfred Honeck conducts orchestral concert with soprano Gabriele Lechner (262 0909)
Tonhalle Tonight, Tomorrow, Thurs, Fri: Mario Venzago conducts Tonhalle Orchestra in works by Mozart, Sibelius and Bruckner. Next Mon: Ronald Zollman conducts Belgian National Orchestra (261 1600)

■ WASHINGTON

THEATRE

- Oleanna: David Mamet's drama about power, sexual harassment and political correctness. Opens tonight, till May 30 (Eisenhower Theater 202-467 4600)
- Our Country's Good: Timberlake Wertenbaker's play is set in an isolated Australian prison camp where jailers and inmates produce a play and create a civilisation. Opens tomorrow, runs till May 22 (Signature Theater 703-685 4331)
- Mother Courage: Pat Carroll takes the title role in Brecht's play, *in a new translation by Hanif* Kureishi. Till May 16 (Shakespeare Theater at the Lansburgh 202-393 2700)
- Lady Day at Emerson's Bar and Grill: a musical celebration of the life of jazz singer Billie Holliday, recreating the 1959 nightclub of the singer's final performance. Till May 16 (Head Theater 410-332 0033)

MUSIC

Kennedy Center Tonight's National Symphony concert is a Beethoven programme conducted by Gerhardt Zimmermann, with piano soloist André Watts. Sun: King's Singers. The award-winning musical Guys and Dolls can be seen daily except Mon in the Opera House (202-467 4600)
Blues Alley Jazz Supperclub Charlie Byrd Trio, guitar, daily till Sun. Next Wed: Count Basie Orchestra (1073 Wisconsin Ave, in the alley, 202-337 4141)
Barns of Wolf Trap Tomorrow: Patrick Street, traditional Irish music. Thurs: Patty Larkin, new wave folk. Fri: Texan singer Robert Earl Keen joins Laurie Lewis' bluegrass band (1624 Trap Road, Vienna, Virginia, 703-255 1916)

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: *Financial Times* Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: *Financial Times* Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Arts Guide

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandanavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

First cut is the easiest

France has limited room for manoeuvre in monetary policy, writes David Buchan

The French financial authorities were yesterday being modest about their success in cutting interest rates while still keeping the franc firm, *because they know it is only a modest success.*

The Bank of France, unusually, made no comment when it cut the intervention rate at which it rations loans to commercial banks from 9.10 to 8.75 per cent, the lowest level since 1989, and further reduced its five-to-10-day repurchase lending rate from 10 per cent to 9.75 per cent.

For his part, Prime Minister Edouard Balladur was busier warning about forthcoming "unpopular" tax increases to stem the public spending deficit than crowing about the first fruits of his three-week old *government's success on the* monetary front.

The French authorities are playing it cool for two reasons. One is a question of style. The Balladur government is very keen to show foreign exchange dealers it is just reacting to recent falls in domestic money market rates by lowering official rates, and that it is in no way trying to force official rates down further or faster than the fundamentals of the French economy justify.

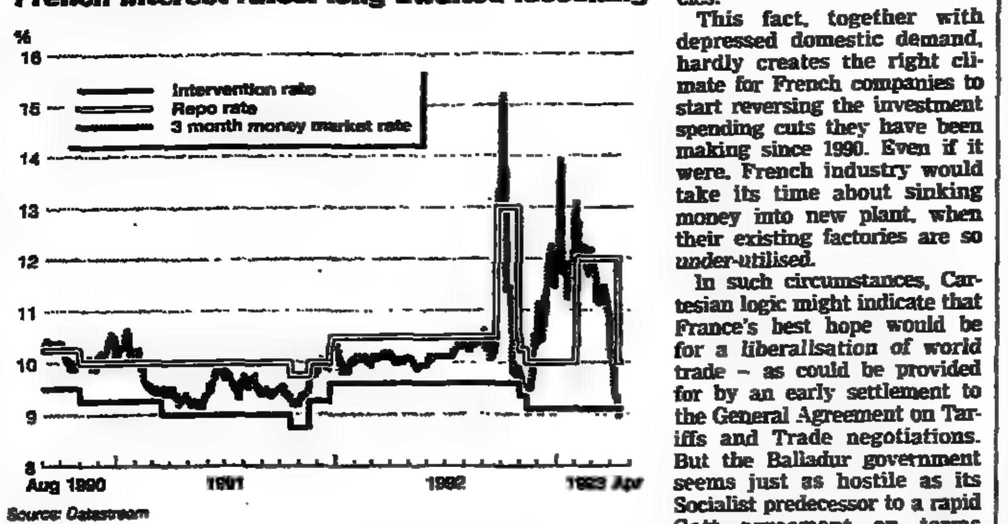
The other reason for caution relates to precisely these fundamentals. For the moment, the franc's link to the D-mark seems *solid. The Bank of* France has recovered the reserves it lost in defending the currency since last autumn, enough, according to Mr Edmond Alphandéry, the *finance minister, to be making an early repayment of the debt* to the Bundesbank incurred in support of the French intervention.

Today, Mr Alphandéry will present to Mr Balladur his draft statute to give the French central bank the same independence in monetary policy as the Bundesbank enjoys. Therefore, when the French premier visits Chancellor Helmut Kohl in Bonn on Thursday, he will be able to claim to the German leader that France is on the *road to "institutionalising"* its present policy of a strong currency and a low inflation rate, which, at around 2.3 per cent is nearly *half* Germany's.

This in turn strengthens Mr Balladur's hand in making his *pitch for even-closer monetary* co-operation between France and Germany, sufficient to ride out possible storms arising out of Danish and British decisions on the Maastricht treaty.

But the battle for the franc will not finally be won until

French interest rates: long-awaited loosening



Source: Datastream

health is restored to the French economy and to its *state finances. Even the record* low point for inflation has its downside, because it increases the "real" cost of interest for companies and individuals on their borrowings.

"Today's interest rate cuts are not enough to relaunch growth," says Mr Jean-Michel Charpin, chief economist of the Banque Nationale de Paris. "*Although* we are clearly on the right path, with the three-month interbank rate also down to 8.75 per cent today, this rate has to come down to 7 per cent," he stresses. Other economists see the need for even bigger cuts to kick the stalled French economy into life again.

Mr Balladur's sober start has so far gone down well in the public opinion ratings which have given him the highest marks of any Fifth Republic prime minister. But this honeymoon may soon be cut short, because his room for economic *manoeuvre is so small.* The only reflation measure he has announced, a saving of FFr20bn (£2.41bn) – yet to be identified – out of a budget deficit of over FFr330m this year, is to be used to give property investors and developers tax breaks to revive the depressed real estate sector.

Other larger-scale measures have been mooted. But they will either punch an even bigger hole in the state's finances (up to FFr100bn, if the government decides to help companies' cashflow by implementing a speedier refund of value added tax), or are too gradual to have any immediate effect on growth and employment (such as the proposal to transfer progressively the FFr150bn a year social charges from company payrolls to the state budget over 10 years).

France's sad experience in recent years is that it generates fewer jobs for a given amount of growth than its neighbours, and there is no one in the country, from Mr Balladur down, who believes that with the economy forecast to expand by less than 1 per cent this year the number of unemployed will fall below its *current level of 3m before 1994.*

The structural roots of unemployment lie in "productivity rates, rigidities of labour market practices, the cost of labour", says Mr Charpin. Tackling this will take a long time. This is why Mr Balladur has set himself a five-year economic programme. But with presidential elections due by 1995 he may in reality have only two years to play with.

In contrast to last year when France recorded a large trade surplus, the European horizon looks equally sombre from Paris. Despite the continuation yesterday *of EC discussions* about a European growth initiative, French exporters are saddled with the handicap that the franc has appreciated by about 8 per cent since mid-1992 against other European currencies.

This fact, together with depressed domestic demand, hardly creates the right climate for French companies to start reversing the investment spending cuts they have been making since 1990. Even if it were, French industry would take its time about sinking money into new plant, when their existing factories are so *under-utilised.*

In such circumstances, Cartesian logic might indicate that France's best hope would be for a *liberalisation of world* trade – as could be provided for by an early settlement to the General Agreement on Tariffs and Trade negotiations. But the Balladur government seems just as hostile as its Socialist predecessor to a rapid Gatt agreement on terms acceptable to the US, and indeed to many of its EC partners. Among the latter, the most important is Germany, and Mr Balladur will be trying this week to convince Mr Kohl of the need for a tougher European trade policy.

But however forcefully he puts his Gatt case to Mr Kohl, Mr Balladur cannot ignore that he needs Germany's co-operation on monetary matters even more. It is only with the full political and financial backing of Germany's government and central bank that the franc has beaten off the speculators.

Certainly, the foreign exchange markets have taken to Mr Balladur's conservative style and policies. The franc closed yesterday at a rate of FFr3.378 to the D-mark, up more than three centimes since March 21, the date of the first round of the French legislative elections, which signalled a landslide victory for the centre-right.

Yesterday's official interest *rate cuts were relatively easy,* because they merely consolidated the movement that had already taken place in the market. Further cuts in official French rates will have to depend on what the Bundesbank does next.

Joe Rogaly

Age of the old buffer

Our churches, those seductive promoters of immortality, are losing customers. *This is* another example of short-termism. The question of eternal life, the lost congregations tell themselves, is not an immediate one. What does seem urgent is to ask what we are to do with the extra quarter of a century that most of us can now look forward to – and how to pay for it. The ancient conundrum that gave so much gainful employment to philosophers in centuries past is being turned on its head. In the west the contemplation of life after death is being replaced by *studies of life before death.*

Canny social scientists are seizing the opportunity opened up by this shift in the *angst* market. Some of them will meet in London next week to discuss "life, work and livelihood in the third age", a conference called to mark the recently published final report of a Carnegie-sponsored inquiry into those topics. The "third age" is taken to mean everyone over 50 and under 75. In Britain that amounts to a quarter of the population, or some 14m people.

This important chunk of society would not exist but *for* 20th century medicine and economic development. Since 1901 the average life expectancy at *birth has risen from 45 to 73* for men and from 49 to 79 for women, largely as a result of a reduction of deaths in infancy and childhood.

At the same time the number of people surviving into what Carnegie and others term the "fourth age" – the years of dependency – has grown sharply. In 1951 only 4 per cent of the UK population was aged 75-plus; by the turn of the century the proportion will have doubled to 8 per cent.

Carnegie's central proposition is that the 50 to 75-year-olds should be kept busy, either in gainful if part-time employment, or in voluntary work, the better to be able to help finance or manage the upkeep of the over-75s. "Fundamentally, *the third age* could be the source of a major contribution to the economy or a drag upon it," says the report. Solutions may be easier to find for those whose working lives have been brain-driven than for those who have been made redundant by the contraction of smokestack industries. Old miners, old steelworkers, old shipbuilders may not die – not just yet – but we know that many of them are doomed to spend long empty years fading away. The unfairness of human existence persists to its end.

> **In the west the contemplation of life after death is being replaced by studies of life before death**

This is recognised in the report, whose chapter on pensions is the best in the book. No surprise here: it was prepared at the Institute for Fiscal Studies. Under Carnegie's label the IFS presents a *list of recommendations*, and a set of options. The choices make themselves. First, we cannot afford, and should not aim to afford, state pensions for under-65s. Recent hints from ministers suggest *that there is some infirmity of purpose* on this matter. The logic of raising the pension age for women to 65 has been accepted. What remains to be demonstrated is the will. In my view the state pension age should be 70, and rising.

Second, the earnings-related state pension should be abolished, although existing commitments *will have to be met.* Let private and occupational pensions do the job for which Serps was intended. Third, the upper earnings limit on National Insurance *contributions* should be removed, thus raising the marginal tax rate on the top tranche of higher earners' incomes.

The tens of billions of pounds saved could be directed towards better social security for very old pensioners, the majority of whom are women. Retired people in the third age *are more likely* than their older relatives to have independent sources of income, such as part-time earnings, company pensions, *savings, a paid-for* house, or even a few dividends. For them the government's policy is to allow the value of the basic state pension to decline in relation to average earnings – that is, to let it wither away. Perhaps this is right.

It is in the *fourth age that* the need becomes desperate. Loading the money into support for people who depend entirely on the state makes sense. The pity is that no one has a comparable plan for men *in their 50s who are trapped in* long-term unemployment – unless you count what has become a ritual incantation about education and training.

The IFS chapter also floats the idea of long-term care insurance, which would help defray the costs of living through our 80s and, with luck, our 90s. This could be a runner. I turn to *Professor Alan* Walker of the University of Sheffield. He is co-ordinator of the European Community's official and continuous colloquy on these matters – the "EC Observatory on Ageing". *Professor Walker says that* there are now two models of late-in-life care evolving within the Community.

The predominant one is for the state to pay, as with Britain's community care (some of which is in private homes) and Denmark's *luxurious home* helps, who are available around the clock. Against that, Germany and Belgium are developing state-organised insurance *schemes.* This sounds more like it: an individual armed with insurance money can make a better choice of carer than a local council official. Even better would be laws against age discrimination, as in the US. True, these are evaded but in logic they must help break down social attitudes based on 19th-century rates of life-expectancy.

Grey power in America is, however, an old story, its victories won, its consequences digested. Europe is different. Here the tendency has been to *encourage* early retirement. Less than half the men aged between 55 and 64 in France and the Netherlands are counted as economically active. The UK figure in the year cited, 1988, was 68 per cent, a sharp fall on the 91.3 per cent of 1970. According to Prof Walker that tide is turning. The tendency in Continen*tal northern Europe is now to* reduce the force of "early exit" policies.

Thankfully, this will be a matter for individual countries. The EC has no legislative competence here, although it might acquire some under the social chapter of the Maastricht treaty. To compensate itself, it is financing talk-fests. *This is the Community's "Year of Older People and Solidarity* between Generations", a soggy phrase derived from surveys that suggest that the aged prefer to be called something like "senior citizens". Personally I am – *shall be – quite content* with "old buffer", if the money is right.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Ivory tower view of German railways

From Mr Richard Gill.

Sir, Prof Dore's plea (Letters, April 17) for the German way of "microcorporatist" rail union involvement, by which he apparently means the sacrifice of short-term profits to *attain flexibility and quality,* was written in his ivory tower with all the windows firmly shut. As the Süddeutsche Zeitung reported on April 6, the truth about German Rail is very different. Its debts now amount *to* at least DM70bn (£28.6bn), and are rising at about 10 per cent a year. For 1992, the turnover of the West German Railways in goods traffic was less than in 1972.

The current plan, therefore, is to set up a limited liability company called Deursche Bahn AG, which will have the effect of transferring DM70bn of debt to the German taxpayers (and to me). These are the real results of microcorporatism.

What Prof Dore advocates is in fact a *daily* burden on the German taxpayer of DM27m (£11m), solely to offset the daily loss made by German Rail. If Prof Dore had said that microcorporatism means *macrolosses, he would have* been at least accurate in judging economic performance.

R Gill,
Daphnestrasse 21,
8000 Munchen 81,
Germany

No contravention of Gatt rules by Japan's low-alcohol tax

From Mr Kojiro Shiojiri.

Sir, I read with interest Michiyo Nakamoto's article, "Japanese low-alcohol tax sinks EC spirits" (March 24). The article leaves one with the impression that the new tax rates for low-alcohol whiskies in Japan somehow contravene the General Agreement on Tariffs and Trade.

Those new tax rates have recently been imposed on low-alcohol whiskies, which began coming on to the Japanese market at the start of this fiscal year. The new rates apply equally to domestic and foreign products, and therefore neither penalise foreign products nor break Gatt rules.

Japan is not alone in producing low-alcohol whiskies, which are naturally taxed at a lower rate than full-strength whiskies. Distillers in both Canada and France also produce and sell low-alcohol whiskies. Moreover, as you know, whisky and lemonade can be found in the British market. In fact, *mizuwari is taxed under a* system much like the one used in the UK for low-alcohol beverages. It does not seem appropriate to single out Japan in this matter.

The crux of the issue is that European Community regulations prohibit whisky distillers in the EC from producing and selling "whisky" which is less than 40 degrees proof. The issue at hand, therefore, lies not with questions of tax discrimination on the part of Japan.

With regard to the tax differentials that Michiyo Nakamoto mentions in her piece, I would like to emphasise that they have narrowed *considerably* as a result of the 1989 revision of Japan's Liquor Tax Law, which was undertaken in accordance with the recommendation of a 1987 Gatt panel.

Those differentials have dropped from 1:16 to 1:5 for *shochu* and whisky, and from 1:2 to 1:1 for *shochu* and white spirits (based on percentage of alcohol).

Kojiro Shiojiri,
director,
First International,
Economic Affairs Div,
Ministry of Foreign Affairs,
Tokyo,
Japan

Real dangers of Bosnia appeasement policy

From Dr A H Hermann.

Sir, Had the US refrained from pouring oil on the fire and refused to supply arms to the UK in 1940, and later to the Soviet Union, many lives could have been spared and the second world war much shortened. *It could* have been avoided entirely had the UK kept out of the conflict between Hitler and his neighbours. Indeed, if not deported and sent up the chimney, we could now be spared the Maastricht treaty tussle: *we would* be living in a Nazi Union.

Of course, the brutal expulsion of millions of Bosnians from their homes and the connected atrocities touch the nerve. But so also should the genocides in progress in many other parts of the world.

In Bosnia-Hercegovina, however, what is at issue is not our *feelings* but our future. Srebrenica is the present day Munich. It stands for the appeasement of Russia, whose imperialism is only temporarily subdued. Having survived the czars, Stalin, and Brezhnev, it is already lifting its head again by supporting Serbian conquest. And this will hardly stop before the Serbs subdue also Croatia and Slovenia on whose toil they became accustomed to live.

Like Munich in 1938, so now Srebrenica. The appeasement policy of the present government will encourage further Russian expansion – by setting Romanians against the Hungarians, Slovaks against the Czechs and Ukrainians against *the Poles. The time will come* when the UK and the US will be no longer be able to sleep in peace and will be obliged to take much more radical and more painful decisions than lifting the arms embargo by *which they are now helping* the Serbs to complete the genocide safely and without effective opposition.

The real danger is that the present appeasement policy will in five to 10 years lead to a third world war.

A H Hermann,
14 Fawley Road,
London NW6 1SH

UK manufacturing industry must attract the most able

From Mr Crispin Hill.

Sir, Prof Mackintosh (Letters, April 15) makes points about Britain's industrial future which few would ques*tion. It is fortunate that all schools must* now teach technology as part of the national curriculum, but that in itself will not ensure healthy industrial production.

Part of the answer lies with the schools and universities as well as with the industries themselves.

Since the middle of the last century the *most able pupils* have been encouraged to enter the professions, the services and other non-technical careers. Many great industrialists of the early 1800s, when they retired to the countryside, discouraged their sons from "dirtying their hands" in industry and sent them to appropriate schools. This tendency is now perhaps declining but the trend continues. The City of London seems more attractive than the factory.

Manufacturing industry now urgently needs to *make itself* at least as attractive a possibility for pupils leaving school and university as other well-*trodden* careers. The onus is on the academic world to give informed advice, with real encouragement to enter industry, and on industry to draw the best pupils.

Crispin Hill,
head of craft design technology,
St. Aubyn's School,
Rottingdean,
Brighton BN2 7JN

Girobank telephone banking designed to complement network

From Mr Richard L Banks.

Sir, I was interested to read John Gapper's article, "Banks dial M for money" (April 6), but I would like to comment on some of the points he made about Girobank.

As the pioneer of telephone banking, Girobank has never had to "support small branch networks" as he stated. Unlike other direct banks all our *1.5m* customers have access to both Link cash dispensers and the nationwide Post Office network, which we use on an agency basis, as well as our Telecare telephone banking centres at four regional locations. This combination gives our customers a truly convenient service.

We regard the country's 20,000 Post Office outlets as a big asset, *especially* as, with the growing number of bank closures to which John Gapper referred, they are now the sole *provider of banking services* in an increasing number of communities. This is important because, although the telephone can handle information, it cannot deliver the cash that customers still need.

Girobank's cost/income ratio is indeed higher than those of its competitors but this *reflects* the make-up of our interest and fee income which is not comparable with the other high street clearers.

More significantly, in 1992 Girobank achieved a return on shareholders' funds of 44 per cent, *higher than* any of the other clearers.

Our telephone banking service is very cost-effective and complements the convenience of the biggest network of outlets of any bank or building society. We are not convinced customers should be forced into a strait-jacket of telephone banking simply because other banks are trying to recover the costs of some of their worst excesses of the 1980s.

Girobank, I am pleased to say, continues to attract new customers at an encouraging rate.

Richard Banks,
senior general manager,
personal banking,
Girobank,
Bridle Road, Bootle, GIR 0AA

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday April 20 1993

Democracy, Pakistan-style

IT DOES NOT say much for the development of democracy in Pakistan that all three civilian governments since the lifting of martial law in 1985 have been sacked by a president acting with the consent, though on this occasion apparently not the active co-operation, of the military. President Ghulam Ishaq Khan has tarred the dismissed prime minister, Mr Nawaz Sharif, once his protege and now his victim, with the same brush as Ms Benazir Bhutto, whose government he removed in 1990. Then, as now, the charge was corruption. But this time the president's motive is clearly to preserve his ultimate sanction over governments.

Mr Sharif, like Ms Bhutto, can be accused of a degree of political ineptitude. He failed to build on the power base which he had as the president's man and as the former chief minister of Punjab province. His policies concentrated on economic reforms in the hope that success would bring political popularity. Though seemingly secure in office – he easily saw off a challenge from Ms Bhutto last year – he took on the president by seeking reversal of a constitutional amendment which empowers him to remove governments and appoint chiefs of the armed forces. But Mr Sharif lacked the clout to force the measure to a successful vote in the National Assembly, where he would have needed a two-thirds majority.

With evidence of alleged corruption not yet produced, the record of Mr Sharif's government is generally good. He has overseen a programme to open the economy, reducing tariffs, seeking foreign investment and privatising state industries – though he has not succeeded in beating the country's most chronic economic problem, the budget deficit. Mr Sharif strove for peace in Afghanistan and sponsored an agreement which is yet to be fully tested. On the eastern front, however, Pakistan and India – both at least potentially nuclear powers – remain at loggerheads despite meetings between Mr Sharif and the Indian prime minister. The climate has been worsened by allegations of Pakistani involvement in the Bombay bombings.

An odd result of the president's move is to foster the political resurgence of Ms Bhutto, one of whose aides is a minister in the interim government. Ms Bhutto, on the pretext of backing fresh elections, finds herself colluding with the president's effort to keep the powers which he used to remove her in what she had called a constitutional coup.

It is perhaps too much to expect Pakistan's elected politicans to develop stature when their powers are so constrained. Those foreign companies which have been cautious about Pakistan despite its encouraging reforms may thus have been proved wise and aid donors, who meet this week in Paris, will have to consider whether Pakistan can fulfil economic promises given the country's evident political fragility.

Over-the-top pay

TAME non-executive directors sitting on malleable remuneration committees advised by tame pay consultants appear to have pulled off the trick once again. According to the Institute of Management's latest annual salary survey, directors of British companies with a turnover of more than £600m received average pay rises of 8.6 per cent last year, more than twice the national average. Such is the monotony with which surveys reveal a higher rate of pay inflation in the boardroom than in the world outside that there is a growing risk that no one will notice. Yet notice needs to be taken, because the disparity is symptomatic of much that is wrong with British corporate governance and management.

Over the past decade and a half, hidden unemployment has been substantially reduced in the British private sector. Big companies, where boardroom pay inflation is highest, have been net shedders of jobs and employment practice has moved closer to the US hire-and-fire model. This harsher industrial climate is unlikely to be compatible with harmonious labour relations, over the longer run, if there is a perception that the balance of risk and reward is being unevenly shared.

The growth of hostile takeover activity and the increasing assertiveness of institutional shareholders have admittedly introduced a *modicum of accountability* into the British boardroom. The Cadbury report on corporate governance has also made some contribution. But the balance remains uneven. One tell-tale indication is the fact that the highest paid directors in the Institute of Management's survey were in the privatised energy sector, where the average salary was £110,981. This raises once again the question as to the justification for the large pay increases awarded to directors of newly-privatised companies, notably the utilities.

At a more fundamental level, the tendency of companies in the Anglo-Saxon economies to offer much larger pay packages to top executives than their opposite numbers in Germany or Japan reflects an exaggerated view of what a single executive can achieve and too little respect for the symbolism of pay relativities between board and shop floor.

Much of the problem with existing practice lies in the non-executive directors' shared interest in high levels of executive pay, since so many non-executives are executive directors elsewhere. Within the existing framework of company law, the Cadbury committee was probably right in arguing that the chief discipline must be openness. And in suggesting that the chairman of the remuneration committee should answer to shareholders at annual general meetings, Cadbury provides a constructive weapon to shareholders. It would have been still more constructive if the committee had been less timid in its disclosure recommendations. But institutional shareholders should not hesitate to make the most of it.

AT&T vs BT

THE PROSPECT of American Telephone and Telegraph and British Telecommunications invading each other's turfs – brought nearer by the US company's application for a UK licence last week and a similar application by BT in the US last month – will cheer telephone users on both sides of the Atlantic.

The traditional cartel structure for handling international traffic has served customers ill. While it would be naive to hope for a head-on collision between the two giants, more competition should bring substantial benefits.

The most obvious would be cheaper transatlantic call charges, currently two to three times cost. Customers could also benefit from a wider range of services, such as international freephone dialling and from dealing with the same operator on both sides of the ocean.

The consumer interest in greater competition has long been clear – in fact, there have been desultory talks between the US and UK governments for two years aimed at opening markets. What has changed is that BT and AT&T now realise that competition is in their interests too.

In the past, they believed that their interest lay in excluding each other from their markets. Now they judge there is a greater advantage in a reciprocal opening.

This is partly because they have found the market for international calls is highly "elastic" – cutting prices stimulates greater phone usage, perhaps even to the extent of compensating for the cut in margins. Moreover, both AT&T and BT have an interest in building traffic bases in overseas markets so they are well positioned to become leading players in an increasingly liberalised global market. A similar consideration applies to the UK economy as a whole. Cheaper and better handled calls between the UK and the US would reinforce Britain's position as Europe's largest telecommunications hub, on which it could further capitalise when markets in the rest of the continent are opened.

While the giants' conversion to liberalisation is welcome, a beneficial outcome is by no means assured. Although they would now prefer mutual opening of markets to mutual exclusion, the ideal outcome for each would be the maximum opening of the other's market and the maximum protection at home. In fact, BT and AT&T have lost no time in listing restrictions which exist in the other's market and in insisting that these be removed before their home markets are opened.

Details obviously matter, but there is a danger of negotiations between the governments becoming bogged down in minutiae. What is needed is for both governments to inject urgency into the talks. In doing so, they will need to keep sight of the big picture and be prepared to override some of the detailed demands of their phone companies. They must ensure that the best does not become the enemy of the good.

America's Baby Bell telecoms groups face radical changes, writes **Martin Dickson**

Forced from a cosy cocoon

In the sunny suburbs of Orlando, Florida, you can gain an insight into one of the most far reaching changes of industrial structure taking place in the US – the slow death of the monopolies enjoyed by America's local telephone companies. Orlando has been chosen by Time Warner, which runs the second largest cable television system in America, as the commercial launch-pad for one of the most ambitious interactive home entertainment and communications networks yet attempted in the US.

An initial 4,000 subscribers will be able from next year to call up on their cable television systems a wide range of movies on demand, as well as inter-active video games and video home shopping. And stepping well beyond cable TV's normal business, Time Warner wants eventually to offer its Orlando customers personal communications services (PCS) – a kind of mobile, wireless telephone system – and direct access to the lines of long-distance telecommunications companies.

Both services could divert some business from the local telephone company. Time Warner, which has already tested consumer appetite for its services in the New York city borough of Queens, aims eventually to roll them out across the US.

This is just one example of how technological change – in particular the ability to translate video, audio and data information into digital form and then transmit it along fibre optic lines – is blurring the distinction between the US telecommunications, media and computer sectors. The three are converging into a single industry, offering customers the ability to summon up a wide range of communications services on a single video screen.

Radical change, therefore, confronts the seven "Baby Bell" regional companies which dominate the local industry, as well as the other independent companies which are part of the patchwork of local telecommunications monopolies.

On the one hand, the fraying of the local monopolies creates a significant threat to the Baby Bells' financial performance just at a time when the companies face big capital outlays on new technology. On the other, the new world opens up huge new business opportunities if these slow-moving companies can become nimble enough to grasp them – and are allowed to do so by the state and federal regulators which monitor their every move.

"It is like the early stages of the collapse of the Soviet Union," says Mr Victor Schnee, of New Jersey consultancy Probe Research, the author of two books which forecast much of the current turmoil. "There are more volatile and destabilising elements all the time. The perception of risk is growing in each company." But he adds that, just as in the former USSR, the industry's leadership is riven by dissent over which direction to take.

The past few months have produced a series of different initiatives by local telephone companies looking for ways to improve their positions in the competitive new world. They include radical proposals by Ameritech, a Baby Bell, and Independent Rochester Telephone to abandon their monopolies and open their businesses to competition. In return, they seek greater freedom from regulation. Other proposals include a scheme by Pacific Telesis to spin off its wireless communications operations as a separate company. Southwestern Bell has launched the first takeover bid for a large US cable TV business by a leading telephone company.

The new competitive forces look likely to hasten the end of the American telecommunications industry's unusual structure, which was imposed in 1984 by the so-called Modified Final Judgment (MFJ). This settled an anti-trust court case against American Telephone and Telegraph, then the dominant long-distance and local US telephone company, known as Ma' Bell.

AT&T's local telephone operations were spun off into seven separate "Baby Bell" regional companies. The rump AT&T was left with the long-distance telephone market – where it faced competition from upstart rivals such as MCI Communications and Sprint – and manufacturing telecommunications equipment.

The judge overseeing the case, Mr Harold Greene, also barred the Baby Bells from entering three markets – long distance, equipment manufacturing and information services. He feared the companies, which account for some 80 per cent of the local services' $90bn in annual revenues, might use their monopoly telephone revenues to compete unfairly in these areas.

After a long campaign, the Baby Bells managed to get the information services ban removed 18 months ago and they are pressing to be allowed into the two other businesses, on the grounds that they now *face significant local* competition. The companies still account for the bulk of local communications traffic, but competition is growing in four important, interlinked ways:

● *State* and federal regulators have allowed new local telecommunications companies, known as "competitive access providers" (CAPs), to establish themselves in many metropolitan areas, where they operate highly efficient fibre optic networks. They cream off some of the local monopoly's most profitable business customers by offering cheaper rates to transmit their bulk traffic around the area and directly into networks run by long-distance carriers.

The CAPs are still very small, accounting for only about 1.5 per cent of total local telecommunications revenues. But some of the biggest have been bought by cable TV companies, which gives them added financial clout, and the business could grow rapidly thanks to a landmark ruling last September by the Federal Communications Commission (FCC), the government agency which oversees the industry. The agency voted to allow the CAPs to link their networks into those of the local telephone companies, so the newcomers can offer private line services between states to business customers with offices located out of the reach of the CAPs' often-restricted networks.

● Long-distance carriers, led by AT&T, resent the high charges they have to pay the local telephone companies to carry calls over the last mile or two of wire to customers. These "access charges" bear little relation to the cost of providing the service, yet account for about 30 per cent of local operators' revenues and are the largest single expense for the long-distance groups.

AT&T and its rivals are urging *that the local* market be opened to greater competition in the hope that this will cut access charges and spur traffic growth. They are also themselves nibbling away at the local telephone companies' revenues, since telecommunications regulators in over 30 states now allow long-distance carriers to compete in the lucrative market for intra-state medium-distance calls. New technology is about to make it much easier for consumers to dial up an alternative service provider.

● There has been a rapid growth in the US of the cellular telephone industry, which offers an alternative means of communication to the local phone company's network. The Baby Bells are among the leading players in this business, since the federal government granted the local telephone monopolies one of the two licences it issued to operate a cellular service in each region.

However, the second licences are held by independent providers and the largest of these, McCaw Cellular, frightened the Baby Bells late last year by agreeing to sell 33 per cent of its equity to their arch-enemy, AT&T.

If the deal goes through it will give AT&T its first foothold back in the local market, as well as another potential means of bypassing the Baby Bells' access charges.

Wireless competition to the Bells will intensify over the next few years when the FCC gives the go-ahead for PCS, a new kind of mobile communications network which uses small, inexpensive, lightweight phones.

Cable TV companies, including Time Warner in Orlando, have made clear that they intend to play a significant role in PCS, since they can cut the costs of installing a system by piggy-backing it on their cable network.

● *The Bell* companies *face* an even bigger tussle with the cable companies over which industry will dominate the provision of new multimedia services to the American home, ranging from movies-on-demand to video telephones and home shopping.

Both industries could exploit the market, since each already has communications wires running into US homes and these can be upgraded through the use of fibre optic cable and modern technology for compressing digital images and switching, or routing, information.

But the two industries also have distinct strengths and weaknesses. Cable companies are experts in providing entertainment, which is likely to account for the most intensive home use of the new systems.

They also have a capital investment advantage: the relatively high capacity of their existing co-axial cable means they should not initially have to place as much fibre optic cable in the local network as the telephone companies, whose systems consist largely of low-capacity twisted copper wires.

The phone companies, for their part, have much greater financial muscle (their $90bn of annual revenues compares with cable's $20bn) and have two important skills which the cable sector lacks – precise routing of two-way information flows and sophisticated billing techniques.

The local phone companies – whether or not they are Baby Bells – still face a huge barrier to full participation in multi-media. They are barred by law from owning a cable operator in the area where they provide telecommunications services. However, the past two years have seen regulatory changes allowing them to at least get a foothold in the video industry.

The first was the 1991 relaxation of the ban on the Baby Bells entering the information service industry. This paved the way for Southwestern Bell, which serves Texas and surrounding states, to make an agreed $650m bid last February for two cable systems in suburban Washington, DC. The deal still has to be approved by Judge Greene, but assuming it goes ahead it will be the first acquisition of a big cable system by a telephone company – and will set an important example for others to follow.

The second regulatory breakthrough came last year when the FCC permitted telephone companies to offer "video dial tone" – in other words, to transmit television programmes over their own lines for third parties.

One of the first to take advantage of this is Bell Atlantic, the Baby Bell serving the middle of the eastern US seaboard, which is making particularly energetic thrusts into multi-media services. It has agreed, for example, to build a state-of-the-art fibre optic cable television transmission system (which will also carry its own telephone services) in three New Jersey communities for the incumbent cable operator.

This is but one example of increasing co-operation between cable and telephone companies in multi-media ventures, suggesting that the current tussle may end up in a complex series of partnerships between the two sides, rather than a clear-cut victory for one industry or the other.

With all these competitive forces intensifying, the Baby Bells need to become more entrepreneurial, but they are hamstrung not only by their cautious traditions but also by regulations.

In an unusually bold attempt to overcome both these problems, Ameritech, the Chicago-based Baby Bell, recently announced a total reorganisation of operations to make it much more "customer focused," as well as a radical proposal for reform of the industry.

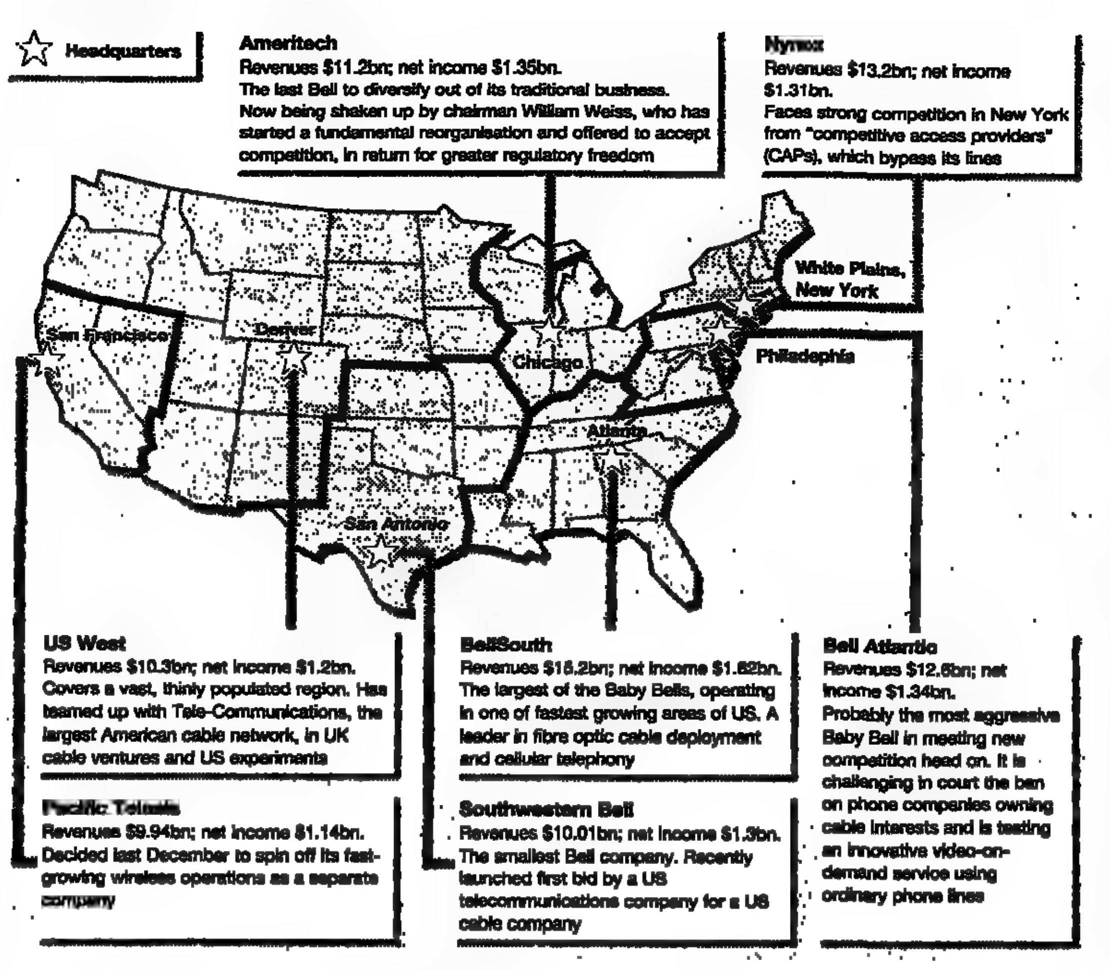
It has proposed opening its local system to competition, allowing other companies to provide services by connecting directly into its distribution network.

In return, however, it wants to be allowed to enter the long-distance and cable markets, and be freed *from so-called rate of return regulation*, which puts a ceiling on its profits, rather than its prices.

Many analysts think the local communications industry is broadly heading in the direction outlined by Ameritech, but getting there is likely to be extremely messy and highly political. The government agencies with a say in the matter include the FCC, which is awaiting a new Democratic appointee as chairman; the Justice Department; Judge Greene; local state regulators; Congress, which in recent years has repeatedly considered legislation to liberate the Baby Bells; and Vice-President Al Gore, who favours letting the telephone companies fully into cable.

The Clinton administration, which professes great enthusiasm for the creation of "21st century information super-highways," could try and bang some of these heads together to produce a coherent national telecommunications strategy. But for the moment the main catalysts of change in the industry are market pressures, such as those under way in Orlando.

Baby Bells: ringing the changes



OBSERVER

Border raid on Belgium

■ There was something of a run on *the Belgian franc yesterday* morning, and, for once, the central bank was powerless to defend the currency – it managed to lose some BFr70m of it to armed robbers through its own back door.

Even for connoisseurs of Belgian curiosities a successful robbery of the central bank is something of a rarity, and bank officials were rather keen to play down the heist. "The robbers didn't attack the bank, they attacked a postal van," insisted a bank spokesman, although he admitted that the raid had taken place, literally, in the bank's backyard.

In other respects, the would-be speculators played it entirely by the book, mounting their dawn raid not on the hard-core headquarters of the bank in Brussels but on an outlying subsidiary in Arlon, near the Luxembourg border. Like many Belgians seeking to avoid home-country scrutiny of their income, the thieves may even have nipped across the frontier and tried to deposit the booty at one of the Grand Duchy's 200 or so banks.

Could it have been an inside job? Bank officials were mystified as to how the thieves got in. Bank governor Alfons Verplaetse was in Basle for a meeting of EC central bankers, so he had a perfect alibi, as did Belgium's most wanted man, Patrick Haemers, who went on trial yesterday accused of a series of bloody hold-ups across the country during the 1980s.

Happily, there were no casualties *in yesterday's raid, except perhaps* the Belgian national debt – now up from BFr8,557,000,000,000 to BFr8,557,070,000,000.

Out of date

■ Oh dear. Spring Ram, a company which used to release its accounts on the same day as its preliminary figures, has had to delay publication of its report and accounts because of a missing piece of text. Could it be the bit from the company's auditors?

Fortunately, the missing item is not thought to be so sensitive. Among the information that had to be squeezed in late were the resignation of finance director Stuart Greenwood from the once glamorous kitchens and bathrooms manufacturer and the appointment of the first non-executive director. Shareholders nursing their losses may wish to know that the AGM is on home turf on May 21 at the Hilton Hotel, Leeds.

Maude transfer

■ The speed with which 39-year-old Francis Maude has jumped from one high-paying job at Salomon Brothers to an even more highly paid one at Morgan Stanley International, is wonderful news for out-of-work MPs.

'Give us our flag back when you've finished with it'

Although his salary is secret it would be surprising if young Maude were not a millionaire by the time he seeks re-election to Parliament. He has proved that there are still lush jobs for smart and well-connected boys. Even so, it is far from clear why the former financial secretary at the Treasury is regarded as such a hot property.

Apart from a few dogs like British Coal and British Rail, there is not much left to privatise in the UK so Maude's contacts in this area can't be much use. And it is hard to judge his added value when it comes to privatising Czech power or the Polish railways. Given that he has almost certainly not ruled out a return to politics at the first whiff of a safe seat, Morgan Stanley must be seeking an unusually quick pay-back on its latest investment.

Pint of view

■ A conflict of political theology is coming to a head at the Department of Trade and Industry.

Neil Hamilton, the free-market minister in charge of the government's deregulation initiative, is pressing for the abolition of regulations that insist a British pint of beer must be just that – exactly a pint. The froth cannot be included. Hamilton argues that drinkers know if they are getting short measures and can remove their custom. It is all unnecessary red-tape, he says.

Enter Edward Leigh, industry minister and as much a Thatcherite as Hamilton. But the regulations on a pint of beer were largely his creation and a notable publicity winner for him back in December 1991. He is putting up a strong fight to stop Hamilton getting his way. Right arms they may be but cheers is not the word.

In the shade

■ When it comes to stock market forecasters there are good firms and bad. However, BZW has broken new ground by venturing into a particularly tricky area of British forecasting – the weather.

As one of the lead brokers on the rights issue for Zeneca, ICI's bioscience subsidiary, BZW has pulled out all the stops to show off its client. Tucked away inside an impressively bullish 96-page report is a prediction that Zeneca's *agrochemicals and seeds business* will enjoy a 10 per cent rise in turnover and a 41 per cent rise in operating profit this year.

One of the key assumptions behind the upbeat forecast seems to be that just because last year's climatic conditions were "poor", the weather should be better this year. Even The Met Office would shy away from putting its name to a forecast like that.

Herd class

■ How does the word's most powerful transport minister travel the world? When Federico Pena, the US secretary of transportation, returns home today after talks in London with his UK opposite number, he will be travelling the same way as he arrived – by economy class, albeit on an American-owned and built jumbo.

Pena, like his boss, is said to be very sensitive about spending taxpayers' money and his decision to travel with the herd will probably be the only memorable thing about his visit. These sorts of PR gimmick rarely survive for long – so Observer is offering a bottle of the finest malt whisky for the first recorded sighting of Pena travelling in any style other than economy.

FINANCIAL TIMES
Tuesday April 20 1993

Chancellor of the exchequer gives an upbeat assessment of the economy

Lamont predicts growth in UK

By Lionel Barber in Luxembourg

BRITAIN is likely to grow faster than other European economies in 1993 and 1994, Mr Norman Lamont, the chancellor of the exchequer, said yesterday in his most upbeat assessment of the economy for some months.

Speaking after a meeting in Luxembourg of European Community and European Free Trade Area finance ministers, he said: "The prospects for Britain are very encouraging, even though the outlook for much of the rest of Europe remains of concern."

His remarks coincided with a forecast from the European Commission that growth in the EC this year was likely to be 0.75 per cent.

Growth could rise to 2.3 per cent in 1994, taking into account the EC's package of measures agreed at the Edinburgh summit last December to improve the performance of member states' economies and provide for more flexible Community lending to small and medium-sized businesses.

Further evidence of recovery in the UK came yesterday in a Confederation of British Industry survey showing that retail sales grew strongly in the year to March.

The CBI reported that sales were up year-on-year for the third consecutive month, although the improvement was not yet firmly established.

Another note of caution was sounded by Gallup, the market research company, whose latest consumer confidence survey found that the public was very unsure about the strength and durability of any recovery. Although sentiment about the general economic situation has improved, people are still wary about their own financial prospects.

The latest UK Treasury growth forecast is 1.25 per cent in 1993, and an annual rate of 3 per cent in the first half of 1994 compared to the first six months of this year.

At the Luxembourg meeting, Mr Lamont vigorously denied that the UK was pursuing growth through a competitive devaluation of sterling. The pound has been floating along with the lira since both currencies were forced out of the European exchange rate mechanism last September.

The chancellor indicated that the UK government would like to see sterling appreciate, partly to offset inflationary pressures. He noted that UK inflation had not risen as sharply as many had expected, but added: "I welcome strongly the recent strength of sterling."

The relatively strong UK economic performance since the exit from the ERM has caused some irritation inside the EC. Mr Jacques Delors, president of the European Commission, has attacked "wildcat devaluations" which had artificially boosted competitiveness.

In Luxembourg yesterday, Mr Henning Christophersen, EC economics commissioner, said there was "nothing astonishing" about Britain starting to regain its economic potential after a protracted recession.

IG Metall to hold ballots on strikes in east Germany

By Judy Dempsey in Berlin

EAST GERMANY'S steel and electrical sectors yesterday moved closer to an all-out strike after IG Metall, the country's powerful engineering union, decided to hold ballots in support of higher pay claims.

The ballots, to be held between April 26 and 28, will take place throughout the region's steel industry. However, ballots for the metal and electrical sector will be restricted to the northern state of Mecklenberg-Western Pomerania, which specialises in shipbuilding, and the eastern state of Saxony, the core of eastern Germany's heavy industry.

"These ballots are a first step," said Ms Dagmar Opoczynski of IG Metall. She added: "We will have to see if we obtain 75 per cent of the vote of all IG Metall members in these factories. If we do, we could hold strikes on May 3." IG Metall's membership in eastern Germany has fallen sharply to 400,000 from 760,000 in 1991.

Mr Hans-Joachim Gottschol, president of Gesamtmetall, the national electrical and metal employers' association, claimed IG Metall was committing "economic suicide".

The threatened strike is intended to put pressure on the employers to rescind their decision to end a contract aimed at equalising eastern and western wages by April 1994. Wages in eastern Germany's metal, electrical and steel industry are about 70 per cent of west German levels, but productivity is only 30 per cent of that in the west.

Under the March 1991 contract, steel wages were due to rise by 21 per cent, beginning April 1, and for the electrical and metal sectors by 26 per cent. This would have brought eastern German wages up to 80-82 per cent of western German levels.

But Gesamtmetall and Arbeitgeberverband Stahl, its steel counterpart, last month legally invoked a special "revision clause" in the contract, signed by the employers, IG Metall, and eastern German factory managers.

That enabled either side in the agreement to challenge the contract because of changed economic expectations. The employers have since recommended wage increases of 9 per cent, in line with the rate of inflation in eastern Germany.

But IG Metall, desperate to boost its support in eastern Germany, says workers there have the right to income parity next year as they are already paying west German prices for most goods.

Srebrenica Moslems refuse full evacuation

By Laura Silber in Belgrade and Robert Mauthner and Ralph Atkins in London

BRITISH and French helicopters of the United Nations forces yesterday flew more than 100 seriously wounded and sick people from the besieged town of Srebrenica in eastern Bosnia, but the local Moslem authorities refused to allow more civilians to be taken out by road.

As the second day of air evacuations got under way under a ceasefire plan agreed by the Bosnian Serb and Moslem commanders, UN peacekeepers in Srebrenica asked the Bosnian Serb army to allow the Wednesday deadline for disarming Moslem forces to be extended by 24 hours.

The commander of the Canadian UN battalion deployed in Srebrenica as part of the ceasefire agreement argued that there was not enough time under the original deadline for the disarmament orders to be passed down.

However, General Ratko Mladic, the Bosnian Serb commander, said he would stick to the agreement he had signed with the Moslem commander Sefer Halilovic to the letter. He also denied an assertion by General Philippe Morillon, the commander of UN troops in Bosnia, that the besieging forces would withdraw as soon as Srebrenica was demilitarised.

"The agreement says that combat operations are frozen at current lines around Srebrenica," he said.

Meanwhile, Mr Andrei Kozyrev, the Russian foreign minister, suggested that a high-level meeting of the UN Security Council to discuss the Yugoslav conflict could be convened in Srebrenica. Alternatively, the London conference which launched the Yugoslav peace process last August could be reconvened, he suggested.

In Washington, President Bill Clinton was said to be "actively considering more options" to pressure the Bosnian Serbs into accepting the internationally brokered peace settlement in Bosnia, but gave no details.

Mr Douglas Hurd, the British foreign secretary, yesterday reiterated his call for sanctions against Serbia to be turned into a complete economic blockade, after cabinet ministers again rejected suggestions for early military action.

The Moslem authorities' refusal to allow civilians to be evacuated from Srebrenica in UN lorries was explained by some UN officials as a desire to see the seriously wounded evacuated by helicopter before anyone else. But other officials suspected the Moslem authorities of not wanting to depopulate the encircled town, which would be tantamount to giving it up.

The nine trucks carrying food which got through to the stricken town yesterday therefore had to turn back empty.

While the situation around Srebrenica remained tense and highly uncertain, fierce fighting took place in central Bosnia between Croat and Moslem-led Bosnian forces, formally allies against the Bosnian Serbs.

Russia attacks UN vote, Page 2

Tokyo ready to stem yen's rapid rise

By Charles Leadbeater in Tokyo

THE BANK of Japan was this morning standing ready to intervene in foreign exchange markets in an attempt to arrest the yen's rapid rise against the US dollar which threatens to choke off Japanese export growth.

It is thought the BoJ is preparing to defend a rate of Y110 to the dollar to check the currency's ascent. The BoJ intervened twice yesterday but it is thought extremely unlikely that there will be co-ordinated intervention with other central banks.

The yen closed up Y1.95 against the dollar at Y111 in Tokyo trading and maintained this level in London after President Bill Clinton's remarks in Washington over the weekend that a stronger yen would help to cut Japan's trade surplus with the US.

Mr Clinton's comments, which came after similar remarks several weeks ago by Mr Lloyd Bentsen, the Treasury secretary, confirmed the suspicions of Japanese officials that the policy of the new Democrat administration in Washington on the yen has shifted sharply.

Senior Japanese finance officials say their understanding was that the US had been happy with a rate of about Y120 to the dollar. Mr Bentsen's support for a stronger yen was not necessarily regarded as a guide to US policy.

However, Mr Clinton's comments after his weekend talks with Mr Kiichi Miyazawa, Japan's prime minister, seem to confirm the US administration's determination to talk up the yen. The yen's rise has provoked a mixed response among Japanese politicians.

Mr Miyazawa and Mr Hiroshi Mitsuzuka, a leading policymaker in the ruling Liberal Democratic party, both supported the BoJ's move but other senior LDP leaders, stressed that the US and Japan agreed that sharp fluctuations in the yen's value were undesirable.

Money supply drops, Page 6

Ashley Ashwood

Time's up: Eurotunnel chief Sir Alistair Morton yesterday

Eurotunnel delays

Continued from Page 1

accepted in negotiations that it would be possible to start running services for heavy goods vehicles from mid-January."

According to Mr Frank Cain, Eurotunnel executive responsible for construction of the project: "Contractors now say that all services will start at the same time next June."

Mr Joe Dwyer, chief executive of British construction group Wimpey and joint chairman of Transmanche Link, the consortium building the project, dismissed allegations of blackmail as "astounding nonsense".

"Sir Alastair is well aware of the principal causes of delay, notably the many and major changes to safety and performance specifications throughout the tunnel's construction."

Delivery of railway carriages which will carry cars under the Channel is currently halted over a claim for extra time and payments which TML says has been caused by design changes.

Eurotunnel says that bridging finance will be needed to compensate for the loss of revenue caused by a delayed opening. This might be raised partly from shareholders and partly from banks. The amount of money to be provided by banks, however, is likely to be very limited.

As a first step Eurotunnel planned to issue free warrants later this year which would allow its 630,000 shareholders to buy at an agreed price more shares in the company. The aim would be to generate about £200m when the warrants were exercised next year.

A further £350m-£400m would need to be raised by the end of 1995. This would leave an estimated £200-£250m to be found before the company expected to generate enough from services to cover operating costs and interest charges. This point was not expected to be reached until 1997.

The final £200m-£250m could form part of a larger rights issue as Eurotunnel sought to refinance its large bank borrowings once the tunnel has opened.

It is the first time Eurotunnel has indicated how much extra cash it may need to raise once the tunnel opens. The money would be in addition to the £7.3bn already raised from banks and £1.6bn from shareholders.

THE LEX COLUMN

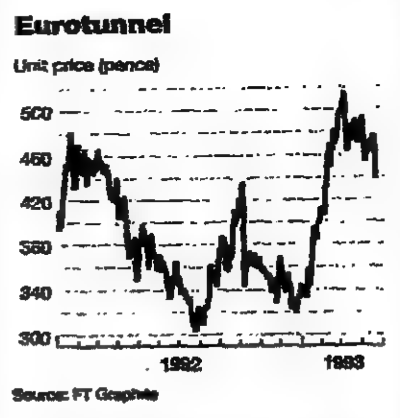
No ace in the hole

The Channel Tunnel project, which began in a euphoric wave of entente cordiale, looks set to end in a deluge of disputation. Eurotunnel is now pursuing claims against a rolling stock manufacturer, British Rail and SNCF as well as both nations' governments. After yesterday's bitter exchanges, the dispute with the TML consortium looks even further from resolution.

Who will emerge as the "winner" is debatable given that both sides have already lost. The contractors can ill-afford the cash to complete the project's commissioning. They have already been forced to take substantial provisions. But Eurotunnel is scarcely profiting from TML's discomfiture. Absurdly, the delay in opening could cost Eurotunnel more in lost revenues than the sums in dispute with TML. In a more rational world, Eurotunnel's bankers might be expected to bash heads together.

The good news is the spectacular project will open some time next year. Eurotunnel's shares have risen strongly in anticipation. But the company's financial vice will not immediately ease on opening. Its revenue projections for 1994 have fallen drastically from £504m to £280m. Its peak funding requirement may climb to little shy of £10bn. Even with a further injection of £850m of debt and equity finance, Eurotunnel will not reach a cash break-even position until 1997. There remain massive variables in Eurotunnel's funding, revenues and interest charges, which suggests the shares should be shunned. Emotion rather than reason will, however, probably continue to drive the share price.

FT-SE Index: 2830.0 (+5.6)



US economy

Profit taking may have pulled Wall Street lower after Friday's record high, but retail investors are clearly still keen on equities. This enthusiasm sits somewhat oddly with the wider markets' sceptical attitude to the dollar. If the economy is picking up fast enough to produce the earnings recovery which the equity market needs, then the dollar might be expected to do well too.

Part of the answer may lie with the nature of the US recovery. Growth has slowed from the 4 per cent expansion seen in the last quarter of 1992. The expansion is also biased towards investment and productivity gains and away from consumers. Indeed, with individuals still retrenching and personal incomes growing slowly, a consumer boom looks unlikely. Inflation is subdued and expectations of interest rate rises have eased. That both encourages investors to continue switching funds out of deposits into equities, particularly capital goods stocks, and reduces the dollar's attractions. Modest growth and low inflation may also allow bond yields to fall further if the deficit reduction process keeps going. If it fails, private investor liquidity is a poor support for a market which looks historically expensive.

Lafarge Coppée

Having paid through the nose in 1989 for its position in Spanish cement, Lafarge Coppée is making amends. While it is offering minority shareholders in Asland a 20 per cent premium to the market price, it is still paying a discount to net assets. That will reduce the amount of goodwill being charged against profits from the original purchase. It is also buying unencumbered access to Pta 15bn of cash tucked away in Asland's balance sheet. Since the all-paper offer increases Lafarge's share capital by 8 per cent, the deal looks not unlike a substitute rights issue.

Even so, the timing is curious. The Spanish construction downturn shows every sign of deepening. Cheap cement imports are adding to the cyclical pain. Following Cemex's acquisition of a 30 per cent market share last year, Lafarge may be hoping to force further consolidation. Prices might then stabilise even if volume remains poor. With the likes of Holderbank present, there may be a chance to establish the price discipline existing elsewhere in Europe.

Other shareholders in Asland might feel unenthusiastic about an offer paid in shares by a company which has underperformed the French market by 30 per cent in three years. With Lafarge already in control and the industrial outlook so bleak, though, the minority has scant chance of forcing better terms.

AB Foods

ABF seems to specialise in bare-knuckle fights. In the UK, the trench war in milling and baking continues to grind down the participants. The industry turns over some £3bn, yet it is making negligible profits and has plenty of latent capacity. Exit costs are high, so breaking even in the hope of an upturn may seem preferable to crystallising losses. ABF's shares rallied in the wake of Tomkins' acquisition of RHM, presumably in the hope that capacity would be cut quickly. So far that has not happened, and there seems little reason to suppose that a mild economic recovery will stimulate demand for bread.

In Ireland, ABF says it has regained the market share it lost in the supermarket price war. However, margins have been mauled, and rebuilding profitability will be a slow process. Only British Sugar offers comfort, yet even here profits growth is dependent on rationalisation and the benefits of green pound devaluation.

The one-off gains in investment income following sterling's exit from the ERM are also unlikely to be repeated. With interest rates low, investors may thus look for ABF's strong balance sheet to be used to greater effect. The company has so far failed to find a suitable target to apply British Sugar's expertise abroad. Until it does, prospects are dull.

French markets

Investors delivered a telling verdict on yesterday's cut in French interest rates. The stability of the franc against the D-Mark underlined how far sentiment has turned, but the new government should not break out the champagne. The 35 basis point cut in the intervention rate simply brings official rates into line with the drift of money market rates since the election. Real rates remain painfully high and Mr Balladur is mulling over higher taxes. French equities were rightly unimpressed. Efforts to raise the tempo ahead of Thursday's Bundesbank council meeting will doubtless fall on deaf ears.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Boulogne	C	12	54	Frankfurt	[illegible]	14	57
Algiers	S	25	77	Brussels	C	13	55	Geneva	S	18	64
Amsterdam	Dr	10	50	Budapest	C	15	59	Gibraltar	F	19	66
Athens	S	17	63	Buenos Aires	R	21	70	Glasgow	R	7	45
Bahrain	S	32	90	Cairo	S	30	86	Helsinki	F	[illegible]	39
Bangkok	F	35	95	Cape Town	S	22	[illegible]	Hong Kong	C	22	72
Barcelona	S	15	59	Caracas	C	30	86	Innsbruck	F	18	64
Beijing	S	27	81	Casablanca †	S	21	70	Inverness	R	8	46
Beirut	C	28	82	Chicago †	F	[illegible]	52	Islamabad	F	33	91
Belfast	F	13	55	Cologne	C	12	54	Istanbul	S	12	54
Belgrade	F	17	63	Copenhagen	[illegible]	10	50	Jakarta	R	[illegible]	88
Berlin	F	9	48	[illegible]	S	19	66	Johannesburg	[illegible]	23	73
Bermuda	F	21	70	Dallas †	C	18	64	Lisbon	S	21	70
Bombay	S	31	88	Dublin	[illegible]	13	55	London	C	14	57
Bordeaux	S	21	70	Dubrovnik		-	-	Los Angeles †	S	14	57
				Edinburgh	C	10	50	Luxembourg	C	11	52
				Faro	S	20	68	Madeira	S	19	66
				Florence	F	17	63	Madrid	S	20	68

		°C	°F			°C	°F			°C	°F
Majorca	S	20	68	Oporto	S	19	66	Tenerife	S	23	73
Malaga	S	19	66	[illegible]	F	5	41	Tokyo	S	16	61
Malta	S	19	66	Paris	F	16	61	Toronto †	C	10	50
[illegible]	F	33	91	Prague	R	9	48	Tunis	S	20	68
Melbourne	S	27	81	Reykjavik	R	5	41	Valencia	S	19	66
Mexico City	C	25	79	Rhodes	S	18	64	Venice	F	16	61
Miami †	S	19	66	Rio de Janeiro	F	32	90	Vienna	[illegible]	15	59
Milan	S	20	68	Rome	F	16	61	Warsaw	F	9	48
Montreal †	R	8	46	Salzburg	R	11	52	Washington †	F	12	54
Moscow	C	3	37	S'Francisco †	S	9	48	Zurich	F	15	59
Munich	C	[illegible]	55	Seoul	S	23	73				
Nairobi	F	25	77	Singapore	F	32	90				
Naples	S	19	66	Stockholm	C	4	39				
Nassau	C	25	77	Strasbourg	C	16	61				
New Delhi	S	35	[illegible]	Sydney	S	24	75				
New York †	S	12	54	Taipei	C	23	73				
Nice	F	16	61	Tangier	[illegible]	22	72				
Nicosia	F	19	66	Tel Aviv	S	28	82				

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday April 20 1993

INSIDE

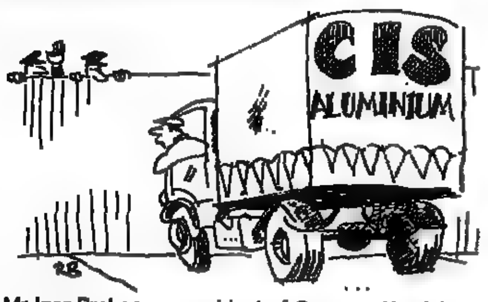
Uni Storebrand rescue deal gains support

Five companies are willing to help restructure Uni Storebrand, Norway's biggest insurance group, which collapsed last August under the weight of NKr3.8bn ($559m) in short-term debt. Uni's administration board unveiled details of the recapitalisation plan, although part of the proposal was leaked last Friday. Page 20

Fillip for market watchers

The FT's daily coverage of new issues in the international bond market is being extended to show the yield spreads at which each issue was launched over the relevant benchmark government bond. Details of prices and fees are also being amended to reflect the fixed-price reoffer method of selling bonds in the Euromarket. The changes take effect from today. Page 23

West urged to face facts



Mr Igor Prokopov, president of Concern Aluminiy, the Commonwealth of Independent States' main aluminium producer, is an emotional defender of the industry – blamed for harming western aluminium production through low prices, and under threat of draconian EC quotas. Putting a fence between Europe and the CIS will not work, he says. The CIS is a key member of the world aluminium market and industry must face that fact. Page 28

India does the unthinkable

It would have been unthinkable five years ago, but this month Mr Ratan Tata, head of Tata, India's largest industrial group, sold a controlling stake in one of the group's oldest companies – Tata Oil Mills. The disposal highlights the challenge facing India's large family-based groups as market forces replace traditional protectionism, the licence-raj. Page 22

Dividend chart correction

In early editions of the FT yesterday, the scale on a chart accompanying the article on scrip dividends on this page was overstated. The scale should have shown potential dilution as ranging from 2.6 per cent to 5.5 per cent. The column heading "ACT" should have read "ACT saving".

Singapore flies at record

Singapore

Source: FT Graphite

The Singapore stock market continued its record run, closing at a fourth consecutive all-time high, although profit-taking was evident during the afternoon. The Straits Times Industrial index rose 8.67 to 1,772.02, supported by institutional and retail buying, in volume of 403.4m shares. Prices peaked at an intraday record of 1,781.39. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Kaufhof	491	+	13
Philips Kommun	532	+	11
Schmalbach Lub	335	+	8
Falls			
Aachen Mch	845	−	15
Colonia Konzern	875	−	15
Lahmeyer	641	−	14

NEW YORK ($)

Rises			
AMD	28¾	+	4
Wal-Mart	25¾	+	1⅛
Falls			
AMR	66⅝	−	2
Chase Manhattan	35	−	1⅞
Chrysler	42	−	1⅜
Intel	98¼	−	11¾

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Gal Lafayette	1873	+	23
Falls			
Bancaire Cie	445.6	−	13.3
Chargeurs	1142	−	49
Cr Fonc France	1139	−	23
Euro RSCG	472	−	15.5
Roussel-Uclaf	539	−	14

TOKYO (Yen)

Rises			
Fuji Robin Ind	525	+	56
Kureha Chem	535	+	48
S'tomo Metal	980	+	30
Takasago Teikko	378	+	38
Falls			
Tec Electronics	537	−	40
Yuki Gosei Kog	1000	−	100

LONDON (Pence)

Rises			
Br Aerospace	288	+	14
Fairhaven	29	+	3½
Gleves	29	+	3
Greeh (E)	85	+	5
Intl Food Mach	70	+	5
Kenmare Res	11¼	+	3½
Learmth Brcht	289	+	14
Lloyds Abbey	416	+	12
Regalian Props	19	+	3¼
Shell	143	+	20
SmithKl Bchm	432	+	[illegible]
Tadpole Tech	304	+	14
Thorn EMI	897½	+	18½
Tullow Oil	18	+	2½
Vardon	89	+	7
Falls			
Assoc Br Foods	479	−	16
Eurotunnel	440	−	20
Fyffes	110	−	18
Hammerson A	320	−	9
Wellcome	702	−	22
Willis Corroon	185	−	7

Bank turns in higher first-quarter earnings ■ Writes off $1bn in property loans

Chase Manhattan in $750m share offer

By Alan Friedman in New York

CHASE MANHATTAN, the big New York bank engaged in a wide-ranging restructuring programme, yesterday turned in higher first-quarter earnings and revealed plans to raise $750m of new equity capital while also writing off $1bn of commercial property loans in a significant change in strategy in the property sector.

Net profits for the quarter were $153m, up from $141m a year ago. The net income was struck after a $500m extraordinary gain reflecting accounting changes related to income tax.

The first-quarter 1993 profit also reflected special provisions of $884m taken after the bank decided to segregate about $2bn of "lower quality domestic commercial real estate assets" and to sell these in the next few months. In addition to the charge the bank also used $135m of its loan loss reserves, thus marking down the total value of the $2bn property portfolio to $1bn.

Mr Art Ryan, president of Chase, said that selling off the $2bn of property assets would reduce the bank's bad debt provisions by $750m for the rest of 1993.

Chase also said it had informed the Securities and Exchange Commission (SEC) it planned to raise $750m of additional equity capital by way of a share offer that will be underwritten by a syndicate led by Goldman Sachs, First Boston, Merrill Lynch, Salomon Brothers and S.G. Warburg Securities.

Mr Tom Labrecque, chairman of Chase, said the aim of the property loan disposal plan and share offer proposal was "to take advantage of better liquidity in the real estate market in order to shrink the size of the property loan portfolio" while raising capital to continue financing the bank's strategy of focusing on worldwide corporate, information and clearing services and domestic New York area retail banking and consumer products.

At the end of March Chase's US commercial property loan portfolio totalled $4.6bn, down from $6.7bn at the end of last year and from $8.2bn a year ago. The non-performing portion was $1.1bn, down from $2.5bn a year ago.

Chase also made other bad debt provisions of $360m, compared with $300m a year ago. The bank wrote off $220m of loans in the quarter, compared with $294m a year ago.

These moves brought the ratio of reserves for loan losses, except for sovereign debt, from 48 per cent at the end of 1992 to 76 per cent.

The bank's tier one ratio of risk-weighted assets to capital stood at a healthy 7.1 per cent at the end of the first quarter, compared with 5.7 per cent a year before.

The news from Chase yesterday did not sway the stock market, where the share price declined by $1⅞ to $35. But credit rating agencies, including Standard & Poor's, Duff and Phelps and Fitch Investors Service, indicated they may soon upgrade the bank's ratings.

Chrysler at $530m with new models

By Martin Dickson in New York

CHRYSLER, the US carmaker which is bouncing back from financial difficulties, yesterday underscored the success of its new models by reporting first-quarter earnings of $530m, excluding accounting changes.

The profits compared with a loss of $231m, excluding special factors, in the same period last year and were struck on sales and revenues up 33 per cent from $8.19bn to $10.9bn.

While the US vehicle market has been recovering only gradually from recession, Chrysler's sales and market share have been rocketing thanks to the introduction of several new vehicles, including its LH series of cars.

The company's share of the US new vehicle market rose 2.5 percentage points in the quarter to 15.5 per cent, while its sales volume rose 24.2 per cent.

First-quarter earnings per share totalled $1.57 before accounting changes, ahead of the Wall Street consensus forecast, yet the company's shares dipped $1⅞ to $41⅞ in morning trading on the New York Stock Exchange.

Mr David Healy, an analyst at S.G. Warburg Securities, said the share price reaction was a "bit of a mystery" in view of the results and was probably due to profit-taking by investors. A contributory factor could have been confirmation by Chrysler that its plants would be closed a lot in the third quarter for model changes.

The company reported a net loss for the quarter of $4.15bn, or $12.81 a share, after taking a one-time non-cash charge of $4.7bn for a change in its methods of accounting for retirees' health benefits. However, it warned Wall Street of the size of this charge at the start of April.

Chrysler Financial, the group's financial services arm, reported first-quarter earnings of $37m before a one-time $29m charge for the same accounting changes. That compared with $60m of earnings in the first quarter of last year before a $51m gain from changes in new accounting standards for taxes.

In the first quarter of last year the Chrysler group reported a net loss of $13m, or 7 cents a share, after a one-time gain of $218m for new tax accounting methods, a gain of $88m from a sale of shares in Mitsubishi Motors, and a $63m loss on investments.

The colony's reinsurers are gaining from London's turmoil, reports **Richard Lapper**

Bermuda sunbathes as Lloyd's shivers

For years, the tiny British colony of Bermuda has played a specialised role in world insurance, as the tax-haven home of more than 1,300 "captive insurers", insurance subsidiaries formed to insure the risks of their industrial and commercial parent companies.

Now, it is taking advantage of the turmoil at Lloyd's and in the London market to turn itself into a much more rounded reinsurance centre. Since the mid-1980s a new breed of independent companies, backed by European and US capital, have been formed in Bermuda to insure specialised commercial insurance and reinsurance risks.

Their growth has been impressive. Centre Re, the biggest of the companies, in which Switzerland's Zurich holds a majority stake, expects to have doubled its revenues to $1.5bn (£990m), when it reports its figures for 1992, its fourth full year of operation.

The revenues of three of the biggest companies amounted to more than $2bn in 1992, just less than a sixth of the estimated $13bn in gross premiums earned by Lloyd's in the same year.

And the profitability of each of the companies has produced a mood of optimism, which contrasts sharply with the gloom in the London market, where news of losses and closures has virtually become a daily occurrence in recent weeks.

In the past six months investors have raised or announced plans to raise more than $1.5bn for Bermudan-based companies.

● ACE, one of two companies which specialises in insuring large – mainly US – corporations against legal awards – recently announced an initial public offering in New York designed to generate more than $500m.

Premium income (for selected Bermudan insurers)

Company	Income
ACE	$325.4m
XL	$286.1m[1]
Centre Re	$1.5bn[2]

[1] to November 30 1992
[2] Estimate including $400m in revenues from "time and distance" reinsurance policies earned by the CentreLine subsidiary and other revenues from financial reinsurance.
Source: Bermuda Insurance Update and estimates

● Centre Re has announced that it is to establish a New York-based subsidiary, again raising the capital through an initial public offering.

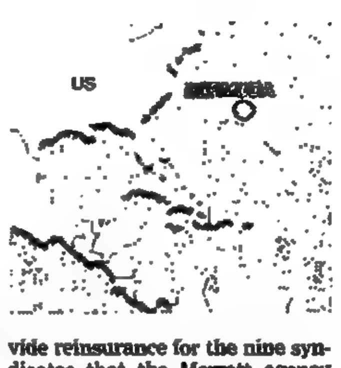
● Two new companies, Mid Ocean and TOPS have been formed backed by a further $535m in new capital.

● American International Group, one of the world's most profitable insurers, also has plans to launch new Bermudan subsidiaries later this year.

Many of these developments have initially brought comfort to the Lloyd's market. Bermudan companies provide important reinsurance capacity for London. Bermudan-based insurers frequently talk about their market "complementing" the London market.

Centre Re, for example, agreed at the end of last year to back a multi-million pound reinsurance scheme, which will allow Lloyd's Names to obtain stop-loss, or personal, reinsurance. Centre Re also provides dozens of financial reinsurance policies – called "time and distance" policies – which allow Lloyd's syndicates to manage their reserves more flexibly.

Another new company, Underwriters Capital (Merrett), has been formed exclusively to provide reinsurance for the nine syndicates that the Merrett agency manages at Lloyd's, indirectly increasing their capital base.



However, in other respects developments on the island present a challenge to the leaders of Lloyd's and the entire London market.

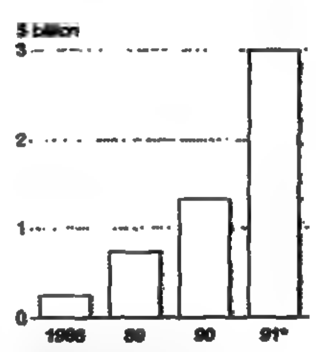
Some business formerly underwritten in London has already been lost.

Mr Brian O'Hara, president and chief executive of XL Insurance, which like ACE also insures US liability business, says, for example, it is now winning some contracts that in the past would have been placed in London.

Oil companies have set up TOPS Insurance in Bermuda to insure catastrophe risks for North Sea oil rigs, because they were unable to buy the cover in London.

The deal "has major implications for London," says Mr Doyle Stephens, chief executive of OIL insurance, one of Bermuda's longest established mutual companies, which manages TOPS. "Maybe we were depending on Lloyd's too greatly." Brokers are now much more likely to visit Bermuda. "As the market has got more difficult we've seen more broker inquiries in the last year-and-a-half than we have ever seen before," says Mr Stephens.

Centre Re asset growth



* Includes $1.74bn for Centre Re & $1.25bn for Centre Line
Source: Centre Re

And once lost by London, business is unlikely to be won back quickly.

Centre Re underwrites contracts that stretch over a number of years and reimburses premiums if losses turn out to be lower than expected.

Mr Michael Palm, executive vice-president of Centre Re, says a big aim of his company is to "introduce stability to insurance costs, taking out the year-to-year volatility".

Bermudan companies can build up tax-free reserves and companies operate with much lower expenses than many of their competitors.

In particular the Bermudan companies are able to avoid the very high so-called "frictional" costs, which are typical of a market – such as London – in which dozens of relatively small insurers and brokers combine to insure and reinsure large risks.

They tend to conduct a small number of high-value transactions, transferring huge blocks of risk on to their own books in exchange for multi-million dollar premiums.

Centre Re earned an average of $25m for each of its 175 transactions currently on its books.

"The common element in all our business is a lot of premium per transaction," says Mr O'Hara.

The Bermudan companies employ more highly skilled professionals – such as actuaries – than their equivalents in London, which should allow them to improve their underwriting performance.

Nearly a third of Centre Re's 30 or so professional staff are actuaries, whom the group deploys as underwriters.

"We don't believe in the kind of subjective underwriting where you simply guess what the range of losses will be," says Mr Palm. Because Bermudan companies generally dominate their market sectors, they have been able to avoid the rate competition which has been suicidal for many companies and syndicates in London.

Mr O'Hara of XL says: "Liability insurers in the past have shot themselves in the knee or even higher."

More importantly, Bermudan companies are not exposed to the same old pollution and asbestosis liabilities, stretching back to policies underwritten in the 1940s and 1950s, that are bedevilling both the London market and insurers worldwide.

For investors attracted by the prospects of increasing reinsurance rates, but worried by the industry's legacies from the past, Bermuda looms as an attractive option.

Certainly Mr David Saul, the Bermudan finance minister, is relishing the prospect of more insurance business, joking "Bad news for Lloyd's has been good news for us".

Lafarge Coppée in Pta36bn bid for the rest of Asland

By Tom Burns in Madrid

LAFARGE Coppée, the big French construction group, yesterday announced a Pta36bn ($318m) share swap bid for full control of Asland, the second-biggest Spanish cement company in which it already has a 54 per cent stake.

Under the terms of the bid, Lafarge will offer two of its shares for every nine of Asland's.

Lafarge acquired its stake in 1989.

The French group, which is being advised by Kleinwort Benson, will be issuing a maximum of 4.7m new shares, representing 6 per cent of its equity capital, in order to make the offer at an extraordinary general meeting on May 25.

The downturn in Spanish cement consumption is not forecast to touch bottom until late next year and is unlikely to return to 1992 levels until 1996.

Asland has a capacity of 5.9m tonnes, representing 15.9 per cent of Spain's total installed capacity, and is the main producer in the Madrid region and in central Spain.

The swap bid values each Asland share at Pta1,730, which represents a 21 per cent premium on the opening price last Friday but well down on Asland's book value of Pta2,200 per share.

"It is not a generous price but it is a reasonable deal," said Mr Paul Farrow, chief analyst at FG, Madrid brokers.

Asland's net profits slid to Pta3.9bn last year from Pta8.6bn in 1991 and Pta11.7bn in 1990. The company is forecast to have flat profits and a high price/earnings ratio over the next two years.

Lafarge's decision to buy out the minority shareholders may have been prompted by the aggressive acquisition policy of Mexico's Cemex group which bought a series of companies, including the main domestic producers Valenciana and Sanson, last year in order to corner nearly 30 per cent of Spain's cement market.

The French construction group is seeking a cheaper purchase. According to FG, Lafarge will be paying Pta17,000 for every tonne of cement sold by Asland whereas Cemex paid some Pta25,000 per tonne sold in its 1992 acquisitions.

Lafarge has not set a minimum acceptance level for its offer and has not disclosed the success rate of its bid.

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UK water group in Malaysia deal

By Kieran Cooke in Kuala Lumpur and Angus Foster in London

MALAYSIA has reached preliminary agreement with a consortium of local businesses and Britain's North West Water to build and operate a national sewerage scheme costing between M$5bn (US$1.9bn) and M$6.3bn.

Malaysia's cabinet is understood to have approved the project in principal in mid-February and the two sides are now negotiating terms and conditions.

Mr Bob Thian, North West Water's chief executive, said he hoped final agreement would be reached by the end of the year.

The consortium plans to build, upgrade and operate sewerage systems in more than 40 cities and towns throughout Malaysia. The agreement covers a 28-year period and involves modernising existing waste water systems and building new facilities.

North West Water said it will take a 25 per cent stake in the consortium. If the contract is approved, North West will manage the project and operate the sewerage systems.

Berjaya, one of Malaysia's leading conglomerates, will hold a 20 per cent stake while Aims Worldwide, another Malaysian company, will take a 15 per cent stake. Malaysia's armed forces retirement fund and police force investment co-operative will each hold 20 per cent.

North West has won a string of similar deals in recent months, including a £160m waste water contract in Bangkok, Thailand. However, some observers said they were surprised North West's partners had no track record in water projects.

Berjaya is controlled by Mr Vincent Tan, one of the country's most controversial businessmen, while Aims Worldwide is controlled by Mr Ghazi Ramli, an executive director of the Berjaya group.

Both men are believed to have close connections with Malaysia's political leaders but analysts say Mr Tan's company has no proven experience of handling such a large and complex project.

Most of the financing for the project will come from syndicated loans, while the consortium will also negotiate for a M$500m low-interest loan from the government. The consortium's total equity investment is not likely to exceed $40m. Mr Thian said North West would not guarantee any of the debt.

Uni restructuring receives strong domestic support

By Karen Fossli in Oslo

THIRTY-FIVE domestic companies have confirmed their willingness to participate in a plan for the financial restructuring of Uni Storebrand, Norway's biggest insurance group, which collapsed last August under the weight of NKr3.8bn ($559m) in short-term debt.

Uni's administration board yesterday *unveiled details of* the recapitalisation plan presented to it by Sunndal Collier and Fondsfinans, two domestic brokerage firms. Part of the proposal was leaked last Friday.

The proposal calls for a share issue to raise NKr2.8bn, of which NKr1bn would be redeemable preferential shares, and a bond issue to raise an *estimated NKr1.5bn – both of* which would be listed on the Oslo bourse. The administration board is considering two other options and aims to make a decision at the end of the week.

Uni's collapse *followed* a NKr4.7bn, 28.3 per cent acquisition of Skandia Forsakring, Sweden's biggest insurer, *which it financed* on a short-term basis and was unable to repay when creditors called in their loans after the value of the investment fell by more than half.

The group's Skandia stake, comprising 19m shares, would be spun off into a separate, wholly-owned Uni subsidiary, and would involve selling the shares to the new unit at a *price fixed* at a rebate and based on the prevailing trading price of Skandia's shares on the day of the transfer.

The sale would be financed by two other bond issues, one ordinary and the other subordinate, also to be listed on the Oslo bourse.

Mr Erik Keiserud, chairman of Uni's administration board, said a decision on a solution to restructure the group would take into consideration the shareholders, creditors, policyholders and the operating company.

He said any decision would have to be approved by the finance ministry and Norway's financial regulator.

German toolmakers announce merger

By David Waller in Frankfurt

MAHO and Friedrich Deckel, two of Germany's leading machine-tool manufacturers, are to merge.

Both companies are making losses, and the merger is an attempt to survive the current downturn in what used to be one of Germany's strongest manufacturing sectors.

The merger follows several months of talks between the two companies and is subject to the approval of Germany's cartel authorities. The combined companies will have a market share of 35 to 40 per cent in Germany in certain sectors, for example, milling and boring machines.

Maho had originally planned to build a strategic alliance with Traub, another large machine-tools company, but this plan was abandoned last month and Traub announced a co-operation agreement with Berthold Hermle, producer of milling and boring tools.

The merger is part of a trend *in the industry which has* forced several companies together during the past year as economic conditions have worsened.

The companies said the merger would allow them to secure their competitive position in international markets.

Maho, based in Pfronten in south Germany, lost DM157m ($97.5m) in the year to the end of June 1992 on sales down 31 per cent to DM442m; the company is expecting to make losses of at least DM45m during the current year despite extensive rationalisation measures. Munich-based Deckel lost DM75m last year on sales down from DM406m to *DM290m*.

The German machine-tool sector is suffering from a sharp fall in demand, reflecting the cutback in investment which has characterised industry's reaction to recession worldwide. Production fell 13 per cent in 1991 and 17 per cent last year, and is expected to fall further this year to less than half the record level of 1989.

Volvo may disclose chairman's salary

By Hugh Carnegy in Stockholm

THE BOARD of Volvo, the Swedish vehicle maker, may tomorrow make public for the first time details of the salary and benefits of Mr Pehr Gyllenhammar, its chairman, in a bid to stave off pressure from small shareholders angry over reports of excessive executive remuneration at the loss-making company.

Leaders of Aktiespararna, the Swedish shareholders' association, plan to demand details of Mr Gyllenhammar's pay at Volvo's annual meeting in Gothenberg tomorrow which is expected to be attended by about 2,000 stockholders.

They also want to know the salary package of Mr Sören Gyll, the chief executive appointed last year, and the severance deal granted to his predecessor, Mr Christer Zetterberg, and other executives who left the company last year.

The company last year fell to a record loss of SKr4.75bn ($610m) after financial items, and for the first time cut its dividend, by 50 per cent.

Volvo yesterday denied reports that Mr Zetterberg, 42, had received a golden handshake of SKr75m and an annual salary until retirement of more than SKr400,000. The board, which will meet tomorrow morning, is expected to issue a statement in advance of the shareholders' meeting giving at least some of the details demanded by Aktiespararna in the hope of defusing a rumpus.

The company said it was possible this would include details of Mr Gyllenhammar's remuneration, which Volvo has never before published. Swedish press reports have speculated that his package amounts to several million dollars per year, including the use of a private jet and other perks.

Pehr Gyllenhammar: press speculation over his package

The small shareholders face an obstacle in forcing greater disclosure by the board as they need to win 10 per cent of votes in the company to push through any resolution. They appear unlikely to receive any help from Renault; the French car and truck maker which is the biggest shareholder in Volvo, with almost 10 per cent of the parent company.

Renault declined to say how the company would act in the issue, but said: "We support the management of Volvo."

Like the Swedish pension funds and insurance companies that are the other main large shareholders, Renault's chief concern is to get Volvo back in profit. In that, the management of Mr Gyllenhammar may be an issue, but the question of executive pay is regarded as peripheral, if publicly sensitive.

Finnish commercial bank sees deficit reduction to FM2bn

By Christopher Brown-Humes in Helsinki

KANSALLIS-OSAKE-PANKKI, Finland's leading commercial bank, expects to almost halve losses in 1993 to about FM2bn ($345m).

Mr Pertti Voutilainen, KOP chief executive, said the *forecast reflected the sharp drop in* Finnish interest rates which was expected to lead to a big reduction in credit losses. Last year the bank's pre-tax deficit was FM3.7bn.

Mr Voutilainen said the bank was expecting a big drop in credit losses related to small and medium-sized companies *which last year accounted for* FM3bn of total write-offs of FM4.3bn.

"Non-performing loans in this sector are gradually levelling off, which is an indication that we will have fewer problems in the near future," he stated.

The drop in Finnish interest rates, which at 8.5 per cent are half last autumn's 17 per cent level, should lead to a drop in bankruptcies, he added.

KOP expects credit losses in the personal sector to increase from last year's FM400m level, *because of rising unemployment*.

Mr Voutilainen cautiously suggested that KOP should be able to weather Finland's banking crisis without direct state support. But it depended on the success of the company's FM930m rights issue and raising additional capital in international markets.

The rights issue is already more than 80 per cent subscribed.

ABF improves pre-tax profits to £161m

By Maggie Urry in London

ASSOCIATED British Foods increased interim pre-tax profits by 7.3 per cent to £161m, ($243.1m) but non-trading items caused the rise.

Operating profits fell 9.7 per cent to £131m as the squeeze on milling and baking margins continued and there was a reduction in retail profits.

However, Mr Garry Weston, chairman, said "we anticipate that the full year's profit figure will show some growth over that reported last year". The 1992 pre-tax figure was £267m, restated from £297m.

The interim dividend was unchanged at 8.5p and any increase in dividends for the year would be included in the second interim payment.

● Berisford International's proposed bid for C&J Clark would be worth 239p a share, the board of the UK private shoe company *told* shareholders yesterday.

This is higher than the rumoured 205p a share, but includes 26p of deferred cash relating to the sale of surplus Clark's property.

At 239p a share the company is valued at £184m ($277.8m). Clark said an offer of 239p would give a 165.6 per cent premium to the 90p at which the shares were last traded and represented 19.9 times the average of the last three year's earnings per share.

European satellite networks offer

By Raymond Snoddy

SCIENTIFIC Atlanta, the US communications group, yesterday began offering private satellite networks to European companies, including data and voice communications and business television.

The company said it was the first pan-European service of its type for private satellite networks usually known as Very Small Aperture Terminal (VSAT) networks.

VSAT networks allow companies or industrial sectors to *set up their own telecommunications* systems using satellites. Worldwide, the market for VSAT equipment and services is estimated at $350m, but so far it has been small in Europe.

Scientific Atlanta says that, to begin with, it is concentrating on the automotive, banking and distribution sectors. Mr Thom Degnan, managing director of Scientific Atlanta's private networks division in Europe, said the company was *in advanced negotiations* with a leading car manufacturer for setting up a network.

He declined to reveal the manufacturer but said the network, if set up, would link more than 800 of the company's dealerships in Europe.

For a large network, the cost of linking sites with data, vision and sound varies between $300 and $500 a site per month.

Henkel sales fall 2% to DM2.6bn in first term

By Ariane Genillard in Düsseldorf

SALES at Henkel, the German chemicals, cosmetics, household goods and cleaning products group, fell by 2 per cent in the first quarter of 1993 to *DM2.6bn ($1.6bn)*.

All operations showed a "small drop in sales" except for household cleaning products and cosmetics, which together accounted for 43 per cent of the total, Mr Hans-Dietrich Winkhaus, the chief executive said.

The company said it would *pay an unchanged dividend of* DM7 on common stock and DM10 on preferred stock at its stockholders' meeting on May 17.

Mr Winkhaus said that he did not expect sales this year to fall in spite of difficult trading conditions.

He said he expected both household hygiene and chemical products, which account together for 63 per cent of total sales, to fare "relatively well" in 1993.

While the company was suffering from low demand in Germany, business was particularly good in the US, he said

The company expects to *reduce employment in 1993 by* 1,000 workers, half of them in Germany.

Operating loss deepens at Austrian Airlines

By Ian Rodger in Zurich

AUSTRIAN Airlines, the Austrian state controlled carrier, saw its operating loss jump last year to Sch437.1m ($39m) from Sch156.9m in 1991.

No dividend will be paid *for last year. The airline is* expecting a similar loss this year and plans no dividend for 1993.

Austrian, which is one of four European airlines studying combined operations, said its revenues rose 12.1 per cent to Sch11.1bn, but operating expenses advanced 12.9 per cent to Sch11.6bn to produce a *loss of Sch524.7m from flights* and associated services.

The loss was reduced slightly by returns of Sch87.8m from trading activities, down 63 per cent from the previous year. Cash-flow was down 3.9 per cent to Sch1.04bn.

The airline enjoyed very strong traffic growth, with the number of passengers carried increasing by 15.6 per cent to 3.07m. However, the yield was down 14 per cent, reflecting severe price-cutting in the airline industry. Cargo tonnage grew 24.6 per cent to 45,825 tonnes.

Growth was weaker in the first quarter of this year, with passenger volume up 3.2 per *cent to 595,310 and cargo ton*nage up 8 per cent to 11,043 tonnes.

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Time Warner turns in 12% advance

By Alan Friedman in New York

TIME WARNER, the leading US media and entertainment group, yesterday reported a 13 per cent rise in its first-quarter 1993 operating profit, before interest and depreciation charges, to $630m.

The performance, struck on revenues 10 per cent higher at $3.3bn, reflected strong profits from each of the group's five main divisions – music, publishing, filmed entertainment, the Home Box Office (HBO) programming division and the cable operating subsidiary.

The first-quarter result was also helped by the redemption of some $3.2bn of preferred stock issued at the time of the merger of Time and Warner three years ago and by other significant steps toward debt restructuring taken by Mr Gerald Levin, the new Time Warner chairman.

Mr Levin noted yesterday that progress continued during the quarter as preferred stock was replaced by lower-cost and long-term debt. He said work on lengthening the maturities of debt and reducing financing costs would continue during 1993.

Until more of the preferred stock is redeemed Time Warner will still have a net loss after paying dividends on the preferred paper. For the first quarter, this loss was $124m, down from $150m a year before.

Time Warner's publishing division showed an operating profit before interest and depreciation charges that was 27 per cent improved at $56m. Revenues were $731m, up from $672m in the first three months of 1992.

The music division had $160m of operating profits before interest and depreciation, a rise of 13 per cent year-on-year. Revenues were $795m, against $764m.

The Warner Brothers filmed entertainment business recorded $104m operating profit on the same basis, up from $96m a year ago. Revenues were $898m, compared with $777m.

The HBO business achieved record operating earnings of $55m, against $52m. HBO's revenues were $359m, up from $351m.

The Time Warner cable operating subsidiary, which is engaged in building an interactive and multimedia network in Orlando, Florida, had 12 per cent better profits of $255m. Revenues were $546m, up from $511m.

● Capital Cities/ABC, the media and publishing group that controls the ABC Television Network, turned in first-quarter operating income of $140.9m, up from $97.9m. Revenues for the quarter were $1.18bn, up from $1.09bn.

At the net level, the group made $70.5m profits before special charges, against $41.7m. After deducting charges related to changes in accounting the 1993 net profit was $58.4m, against a loss of $101.5m a year ago.

Earnings at Unisys rise as revenues decline

UNISYS, the US computer and electronics group, achieved earnings growth in its first quarter despite a decline in revenues. Continuing its recovery from heavy losses in 1989-1991, it reduced debts and reported strong cash-flow, with the highest operating margins in five years.

Net earnings, before special items, were $56.8m, or 16 cents per primary share and 23 cents per fully diluted share, which includes convertible preferred stock and convertible bonds. Including a special gain net income was $260.6m and earnings per share $1.39 primary and $1.06 fully diluted.

Earnings were in line with Wall Street expectations.

Special items included a charge of $36.4m for the settlement of legal actions connected with the sale of the Sperry Aerospace Group in December 1986, and two accounting changes that produced a net gain of $230m.

In the same period last year, net income was $48.3m, or 11 cents per common share.

Revenue for the quarter was $1.91bn, down from $2.01bn. Revenue growth in the US commercial information systems market was more than offset by continued market weakness in Europe and Japan and the negative effects of exchange rates.

Debt, net of cash, stands at $1.5bn, the lowest since the company was formed in 1986. Unisys said that, as anticipated, worldwide orders declined in the quarter. Orders for Paramax Systems, its defence systems unit, were down significantly.

Brokerage side lifts Primerica to $179.3m in first quarter

By Patrick Harverson in New York

PRIMERICA, the US financial services group, yesterday reported a 17 per cent increase in first-quarter operating earnings to $179.3m after another record performance by its Smith Barney brokerage subsidiary.

Net income for the three months totalled $190.3m, following a charge of $16.7m related to changes in the accounting for post-retirement benefits and a one-off addition to earnings of $27.7m. The latter came from investment portfolio gains, sale of the group's remaining interest in the consumer catalogue company Fingerhut, and a contribution from portfolio gains earned by Travelers, the insurance company part-owned by Primerica.

Net income in the first quarter last year was $192.1m, which also included special charges and gains.

Smith Barney was once again the star of the Primerica show.

The Wall Street brokerage house posted record profits of $57.5m, earned on record revenues of $411.1m. Earnings from broking commissions, investment banking, and asset management were all buoyant. They helped offset a decline in principal trading revenues, which were hit by poor returns from mortgage-backed securities trading.

First-quarter results were not affected by the acquisition of the Shearson retail broking and asset management business. Mr Sanford Weill, chairman of Primerica, said the purchase of Shearson would be completed by early July.

Earnings from Primerica's consumer finance services division rose 8 per cent in the quarter to $46.3m, due primarily to a decline in loan losses. The insurance services business contributed earnings of $47.2m, up slightly on the same quarter a year ago.

Primerica's results had little impact on the group's share price, which has more than doubled over the past year. Yesterday, the stock eased $½ to $47¼ on the New York Stock Exchange in early trading.

Tobacco in focus again at Philip Morris

By Nikki Tait in New York

MR GEOFFREY Bible, a senior executive at Philip Morris, has been appointed executive vice-president, worldwide tobacco - a post which will oversee the group's tobacco operations both in the US and overseas.

The move appears to confirm top management focus on the tobacco operations. It comes just weeks after the tobacco, food and brewing group started a price war in the US cigarette market in an effort to bolster market share of its hitherto very profitable brands.

Mr Bible will report to Mr William Murray, Philip Morris' chief operating officer. Reporting directly to Mr Bible will be Mr William Campbell, chief executive of Philip Morris's domestic tobacco operations, and the officers who head the international tobacco businesses.

Mr Bible, although a long-time employee of PM's tobacco operations, was given the position of executive vice-president international two years ago, when Philip Morris announced senior management changes relating to the retirement of its then chairman, Mr Hamish Maxwell.

This post required him to oversee both the international food and the international tobacco operations, and his appointment was interpreted as signal that Philip Morris was focusing on international expansion.

As a result, for the past two years, there has been no single executive overseeing the tobacco interests.

Slowdown at US drug groups

By Karen Zagor in New York

THE SLOWER pace of earnings growth for the US pharmaceuticals industry was reflected yesterday in the first-quarter results unveiled by leading drugs companies.

Merck, the world's biggest drugs company, posted slightly better-than-expected profits for the quarter but the improvement lagged the company's historical strength and reflected the impact of inflation and unfavourable exchange rates.

Stripping out accounting changes last year, Merck's 1993 first-quarter net income rose 10 per cent to $613.8m, or 54 cents a share, from $559m, or 48 cents. Including accounting changes, the company earned $96.6m, or 8 cents, in the 1992 quarter.

Sales advanced to $2.36bn from $2.22bn. Mr Roy Vagelos, chairman and chief executive, said price increases had virtually no effect on sales growth. Sales in the quarter were led by new products.

Merck reiterated its predictions of moderate earnings growth for 1993, reflecting worldwide healthcare cost-containment measures and an increasingly turbulent and competitive environment in the US.

Roy Vagelos: sales were led by new products

Eli Lilly reported a 16 per cent decline in underlying first quarter earnings to $373.5m, or $1.27, on essentially flat sales of $1.56bn. The company warned investors in March that slower sales of several important drugs could reduce first-quarter earnings per share by more than 20 per cent.

Lilly's net income for the three months, including accounting changes in both years, was $362.6m, or $1.23, against $325.8m, or $1.10.

American Cyanamid, the US pharmaceuticals and chemicals group, turned in underlying first-quarter profits of $118.7m, or $1.32, up from $114.8m, or $1.25, a year ago. Including accounting changes, Cyanamid had a deficit in the latest quarter of $433.7m, or $4.82.

Sales in the quarter to March 31 rose 1.6 per cent to $1.4bn from $1.35bn.

Its agricultural segment had strong sales of crop protection products, but the medical one posted a decline in first-quarter sales. Its chemicals side unveiled an operating loss, largely linked to accounting standards.

In February, Cyanamid said it would spin off its $1bn chemicals business to shareholders later this year.

Warner Lambert unveiled an 11 per cent rise in underlying first-quarter earnings to $181.1m, or $1.34, from $163.6m, or $1.22, last year.

Including accounting changes and a one-time charge in the latest quarter, the company had net income of $182.1m, or $1.35.

Chairman says Travelers poised for sharp upturn

y Nikki Tait

TRAVELERS, the US composite insurer in which Primerica holds a 27 per cent stake, yesterday reported after-tax profits of $195m for the first three months of 1993, although the figure was boosted by the inclusion of $123m of realised investment gains.

In the first quarter of 1992, Travelers made after-tax profits of $224m – but this figure was also distorted, by $2m of realised investment losses and a $170m gain related to accounting rule changes.

The Hartford-based insurer said yesterday operating profits in the first quarter were $72m, against $56m. Mr Edward Budd, chairman, suggested the results left the group "on target for achieving a sharp improvement in our operating performance in 1993".

He noted that the group's property-casualty, managed care and employee benefits and financial services divisions all reported an increase in profits, year-on-year.

The advance in the property-casualty division, moreover, came despite higher catastrophe losses – up from $7m to $21m after tax – resulting from the severe winter storms.

Travelers – badly hit by a large, souring portfolio of property-related investments – said the underperforming mortgage loan and real estate portfolio remained at $5.1bn, unchanged from the end-1992 figure.

Travelers shares gained $¾ to $29¾ in early New York trading yesterday.

Trial order hits Intel shares

By Louise Kehoe in San Francisco

INTEL'S share price plunged yesterday in response to an announcement late on Friday that a new trial had been ordered in its copyright licensing dispute with rival semiconductor manufacturer Advanced Micro Devices.

The court set aside an earlier decision preventing AMD from competing with Intel in the lucrative market for 486 high-performance microprocessors used in personal computers. Yesterday, AMD said it would enter the 486 microprocessor market immediately.

Pending the outcome of the new trial, there is no legal barrier preventing AMD from shipping microprocessors that incorporate Intel microcode, the software that controls the functions of a microprocessor.

Ontario Hydro takes C$1.3bn charge

By Robert Gibbens in Montreal

ONTARIO Hydro, Canada's largest power utility, is to take a C$1.3bn (US$1.03bn) charge this year to cover the cost of its restructuring. About 4,500 staff will be leaving, including senior managers.

The charge will include a penalty of several hundred million dollars for cancellation of a multi-billion 15-year power contract. The contract was signed with Manitoba Hydro but is now considered superfluous because of lack of growth in the Ontario market.

The charge also takes in C$500m for the staff reductions. "We're taking the big hit in 1993," said Mr Maurice Strong, chairman, who was appointed last year to reverse the deterioration in Ontario Hydro's fortunes.

The company is being divided into three groups:

● Ontario Hydro Enterprises, headed by Mr Strong and handling the marketing of expertise abroad and development of new technology;

● Ontario Hydro Electricity, run by Mr Allan Kupcis, president, and operating 80 nuclear, coal and hydro-generating plants and the distribution grid;

● Ontario Hydro Energy, handling conservation and customer relations and headed by Mr John Fox, a Canadian formerly with Pacific Gas & Electric in California.

The utility is revaluing assets to be placed into each group and allocation of its C$34bn debt.

Mr Strong said that Ontario Hydro would now sell power at competitive rates and costs would be tailored to set the market.

Opposition rises to higher Black stake in Fairfax

By Kevin Brown in Sydney

Dawkins: has not made a final decision but pressed to say no

MR JOHN Dawkins, Australia's federal treasurer (finance minister) is coming under increasing pressure to reject an application from Mr Conrad Black for permission to take a larger stake in Australia's John Fairfax newspaper group.

Mr Dawkins has until the end of the week to decide whether to allow Mr Black's UK-based Telegraph group to increase its holding in Fairfax from 15 per cent to 25 per cent.

The application has attracted criticism from a wide range of public figures, including Mr Martin Ferguson, president of the Australian Council of Trade Unions (ACTU), and Mr Malcolm Fraser, a former conservative prime minister.

Mr Ferguson told Mr Dawkins in a letter that the government would fail its first big test since winning re-election last month if it allowed Mr Black to increase his stake.

"The policy of the ACTU is to ensure that foreign interests cannot control either directly or indirectly the management or programme content of any newspaper, magazine or periodical," Mr Ferguson said.

Mr Fraser, who campaigned against the acquisition of Fairfax in 1991 by the Tourang consortium led by Mr Black, said the high level of overseas investment in the Australian media was a serious problem.

He said a takeover of Fairfax by Mr Kerry Packer, the media entrepreneur, would be preferable to an increase in the minority holding Mr Black acquired in 1991, because foreign control was a more important issue than concentration of ownership.

"Kerry's a good businessmen and he's very much an Australian. If we are going to have... control by individuals I would far sooner [have] Kerry Packer... than Conrad Black," Mr Ferguson said.

Mr Packer owns about 10 per cent of Fairfax through his privately-owned Consolidated Press Holdings group, but would have to give up control of the Channel Nine commercial television network before launching a full bid.

Opposition to Mr Black's application among Labor MPs has been muted since the election because of the promotion to the government of several prominent critics.

However, Mr Barry Jones, Labor's federal president, was one of five senior backbench MPs who signed a letter last week urging Mr Dawkins to block the Telegraph group's application.

Mr Dawkins is believed not to have made a final decision on the application, which is likely to be discussed by the federal cabinet today.

Tourang acquired Fairfax for A$1.4bn (US$1bn) after the group was put into receivership, following a bungled buy-out of family shareholders by Mr Warwick Fairfax.

The group publishes the Sydney Morning Herald, the Australian Financial Review and The (Melbourne) Age. It is the principal competitor to News Corporation, Mr Rupert Murdoch's US-controlled media group, which is Australia's largest newspaper publisher.

HK tycoon bids $64.3m to buy back warrants

By Simon Davies in Hong Kong

MR LI KA-SHING, the Hong Kong property tycoon, has put an end to a stormy chapter in his corporate history by making a HK$495m ($64.3m) offer to buy back all of the remaining covered warrants issued by him and his holding company on Cheung Kong and Hutchison Whampoa.

The announcement followed statements from Mr Li indicating that Hutchison was planning a rights issue or a placement. As a result of the comments, the price of both sets of warrants fell on Friday by almost 20 per cent, and raised accusations of market manipulation.

The offer for the warrants was pitched at Thursday's closing price, and with a combined turnover of HK$171m yesterday, brokers assumed that many holders have chosen to accept the cash offer.

Peregrine Capital, which is handling the warrant purchases, said the offer was made to "avoid any criticism being levelled at Mr Li that he was taking advantage of the situation".

The Cheung Kong warrants were issued in February 1991 at HK$5.30, compared with Mr Li's final offer price of HK$3.60, while the Hutchison warrants were offered in May 1991 at HK$3.80, compared with the offer price of HK$2.175. The deal has therefore been lucrative for Mr Li.

Mr Li owns 35 per cent of Cheung Kong and issued the warrants against his own shareholding. Cheung Kong in turn owns a controlling stake in Hutchison, and was the issuer of the Polycourt warrants.

The warrants have taken a toll on investors' perception of one of Hong Kong's largest corporate groups. They were perceived as opportunistic, preceding a string of bad news on Hutchison.

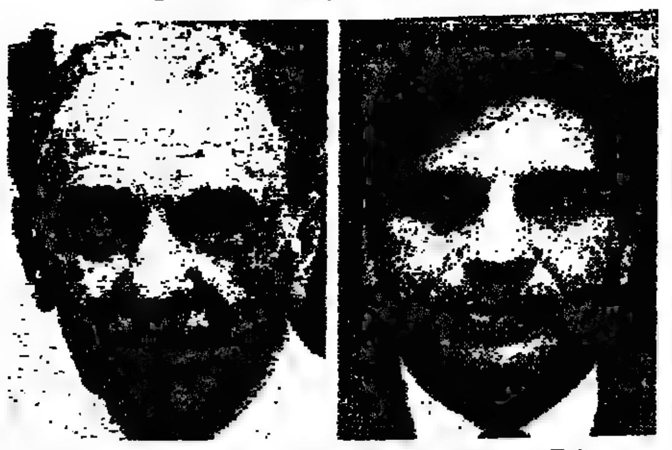
Tata group plans for the end of the licence-raj

Stefan Wagstyl reports on how India's largest company is coping with liberalisation

A LONG boardroom battle at Tata Iron and Steel (Tisco), India's largest company, ended yesterday with the dismissal of 75-year-old Mr Russi Mody, the chairman, after his refusal to abide by a retirement policy.

Mr Ratan Tata, deputy chairman and a member of the founding Tata family, succeeded Mr Mody, with the support of Mr J. R. D. Tata, the family's 88-year-old patriarch.

The Tisco board, meeting in Mr Mody's absence, dismissed him for allegedly attacking the company in the press. Mr Mody criticised the company after Mr Rata Tata and Mr J.R.D. Tata pressed him to resign against his will after more than 50 years service.



J. R. D. Tata (left), Tata group patriarch, and Ratan Tata were victors in an energy-sapping boardroom battle with Russi Mody

MR RATAN Tata, the head of Tata, India's largest industrial group, this month completed a deal that would have been unthinkable five years ago: he sold a controlling stake in one of the group's oldest companies – Tata Oil Mills.

Mr Ratan Tata's disposal of assets highlights the challenge India's large family-based groups face with economic liberalisation.

No longer can they hide behind protectionist rules. The panoply of controls, known as the licence-raj, is giving way to an economy in which market forces are being given rein. This is creating opportunities but also exposing Indian companies to competition.

The Tata group, with annual sales of $4.50n in everything from lorries to luxury hotels, looks well-placed to take advantage of change. Its name is a by-word for commercial integrity; it is strong in steel, cement, power, vehicles and engineering, all industries vital to India's future; its international collaborators include top-flight groups, such as IBM and AT&T of the US and Germany's Daimler-Benz.

Yet Tata's success is not assured. The company seems to have lost some of the pioneering spirit it showed before 1970, when it founded India's first steelworks, luxury hotel, airline and large-scale software export business.

Other groups have grown faster that Tata's 46 operating companies, notably Reliance Industries, the textiles and chemicals combine. Moreover, the group has been torn by a boardroom battle involving Mr J. R. D. Tata, the group's 88-year-old patriarch, Mr Ratan Tata, his 55-year-old successor, and Mr Russi Mody, chairman of Tata Steel, the group's flagship. The struggle over the Tata family men's efforts to force Mr Mody to retire, has absorbed the energy of executives for more than a year.

A Bombay businessman, a confidant of Tata managers, says: "It's like the last days of the Roman Empire at Tata. There's a vacuum at the top and there's no-one to fill it. The group is drifting."

Mr Ratan Tata, who took over in 1991 as chairman of Tata Sons, the group's nerve centre, admits the group has lost some of its unity. But he believes it is regaining it.

He aims to stamp his authority on the group and focus on markets in which the group has a strong position or can achieve one. Other businesses must sold or wound down.

Mr Ratan Tata's task might have been easier if he had started earlier. But Mr JRD Tata delayed his retirement from the chairmanship of Tata Sons until he was 86.

Mr Mody and chiefs of other leading operating companies increasingly ran their businesses independently, sometimes even entering into competition with each other.

Mr Ratan Tata's answer was last year to introduce a controversial retirement policy, requiring managing directors of group companies to retire at 65 and chairmen at 75. Tata Steel's Mr Mody refused to go.

But, with Mr JRD Tata's support, Mr Ratan Tata yesterday won the bruising encounter.

TOP TATA COMPANIES
Figures for year to March 1992 (Rs bn)

	Sales	Pre-tax profits	Tata Sons % stake
Telco	30.2	2.1	16
Tata Steel	28.8	2.6	8
ACC	14.2	2.1	12
Tata Electrical Cos	10.6	0.5	9
Voltas	6.5	0.2	22
Tata Oil Mills	4.2	0.0	20
Tata Chemicals	3.5	0.9	30
Tata Tea	3.4	0.8	30
Total 46 companies	132.9	9.9	-

Note: Tata Oil Mills sold Apr 1993. Source: Tata Sons.

Mr Ratan Tata's problem is that Tata Sons, a privately-owned company controlled by Tata family trusts, and its affiliates, hold only modest stakes in the larger public-quoted operating companies.

Since Tata Sons lacks capital, Mr Ratan Tata wants group companies to take stakes in each other. But some bankers in Bombay wonder why outside shareholders should support such investments.

Greater group discipline will not alone bring Tata success in the wake of liberalisation. Tata companies must also concentrate on activities in which they hold competitive advantages, and pull out of others.

The disposal of Tata Oil Mills, a lossmaking oils and soaps producer long overshadowed by Hindustan Lever, the Indian subsidiary of the Anglo-Dutch multinational Unilever, shows Mr Rata Tata is serious.

Tata also needs to cut costs in those businesses it plans to keep. High-cost production from the years of protection must now be phased out.

But cost-cutting at Tata has its limits: Tata does not wish to lose its reputation as a generous employer. Moreover, Indian law virtually bans large-scale sackings. Tata executives say they will go as fast as they can, shedding labour through retirements.

Mr Ratan Tata wants the group to invest in new businesses, particularly those based on high technology. But a proposal for a $1bn petrochemicals complex at Haldia near Calcutta has been repeatedly delayed and, according to Mr Ratan Tata, is now under review. The group has had its successes – notably Titan Watches, a new venture in watchmaking in partnership with Timex of the US. But this is modest compared with projects on the drawing board. The only large project to have gone ahead is the $1bn modernisation of Tata Steel.

Partly, the group has been held up by red tape. Partly, too, Tata's ageing top executives were less adventurous than some competitors.

Even before he became chairman, Mr Ratan Tata tried to galvanise the group with a series of joint ventures foreign companies in electronics, oil exploration services and financial services.

Foreign partners include Honeywell, the US electronics group, American Express, the financial services combine, and AT&T. But with turnover of less than 10 per cent of Tata Steel's, and patchy profits, the ventures have yet to make a significant contribution.

This year, the group has launched a joint venture with IBM, to sell the American group's computers in India and to export software. Similarly, in cars, Tata would like a foreign partner for the joint production of passenger cars. The government's decision this month to lift controls on new investment in the auto industry could enable Tata to revive a planned joint venture with Honda of Japan.

Fortunately for Tata and other domestic groups, the government is giving them time to adjust. Import duties will be phased out slowly. And, although the licence-raj is being abolished, foreign companies will still face a hurdles to entering India.

But if Tata is to take advantage of this breathing space, it will need to move faster in the next five years than it has in the last five.

Bank of France's rate cuts lift European markets

By Sara Webb and Jane Fuller in London and Patrick Harverson in New York

THE decision by the Bank of France to cut its key interest rates yesterday morning provided a welcome boost for many of the European government bond markets.

The French central bank cut its intervention rate from 9.10 per cent to 8.75 per cent and lowered its five to 10-day securities repurchase rate from 10 per cent to 9.75 per cent. The five to 10-day rate, which provides a ceiling rate, was cut by

GOVERNMENT BONDS

2 percentage points from 12 per cent last week.

French government bonds rallied on expectations of further interest rate cuts. The French franc strengthened against the D-Mark, reflecting the view that lower interest rates will encourage economic growth. The franc moved from 3.3785 to the D-Mark to 3.3766, before ending at around 3.3780.

Short-dated bonds showed the strongest gains on the day, and the one-year yield spread over comparable German government paper fell from 95 basis points to 87 basis points. The 10-year yield spread slipped from 53 to 52 basis points.

Cash bonds and futures gave up some of their early gains on profit-taking and the Matif futures contract, which closed on Friday at 118.12, rose to a high of 118.32 before ending the day at around 118.12.

■ THE French rate cut helped to pull up German government bond prices in early trading, and dealers said the French move had revived hopes of an easing by the Bundesbank.

Bund market participants expect the Bundesbank to lower the rate by a few basis points at this week's repo tender from last week's level of 8.11 per cent, and there are hopes the German central bank may lower its Lombard rate – possibly as early as this Thursday, at the Bundesbank Council meeting.

The Liffe June bund futures contract ended at 96.35, against its previous close of 96.28 and after a high of 96.53.

Details of the Treuhand privatisation agency's new bond issue are expected to be announced today, dealers said.

■ LANDSLIDE support for electoral reform in the Italian referendum prompted a strong rally in the Italian government bond market yesterday, although profit-taking later in the session wiped out most of the gains.

The Liffe futures contract, which closed at 95.68 on Friday, climbed to a high of 96.45 before dropping back to close at 95.85.

Dealers said investors were still waiting for further news on the political front, following prime minister Giuliano Amato's offer of resignation.

■ FRIDAY'S adverse reaction to news of rising UK inflation continued to affect early trading in UK government bonds, but the longer end of the gilt market rallied later to close about ¼-point higher.

Dealers felt the disappointment at the RPI figures – up to 1.9 per cent in the year to March from 1.8 per cent in February – had been overdone.

The shorter end of the market remained weak ahead of details, due today, of the next gilt auction on April 28. The market is expecting a further tranche of the 7¼ per cent bond due 1998. Estimates of the amount to be raised vary from £2bn to £3bn.

The price of the existing bond slipped $\frac{1}{16}$ to $101\frac{1}{32}$. Hopes of a further cut in base rates were checked by comments from Mr Norman Lamont, chancellor of the exchequer, during a meeting of EC finance ministers, that he regarded the present level of interest rates as compatible with recovery.

■ THE Japanese ministry of finance is expected to auction about Y800bn of 10-year bonds with a 4.5 per cent coupon today in a reopening of last month's No 157 bond issue.

Although there was concern that the new supply would weigh on the market, dealers expect the auction to go moderately well.

The prospect of the auction may have had a limiting effect on the cash bond market. The benchmark No 145 issue showed little change, closing at a yield of 4.255 per cent, compared with an opening of 4.25 per cent and a day's trading range of between 4.24 per cent and 4.27 per cent.

The positive effect of the yen's continuing strength against the dollar, in the wake of the Miyazawa-Clinton trade talks in Washington, helped to lift the futures market, and the contract rose to 108.72 from 108.59, after reaching a high of 108.87.

■ US Treasury prices were little changed in light trading yesterday morning as dealers and investors waited patiently for the next raft of economic data.

By midday, the benchmark 30-year government bond was unchanged at $104\frac{22}{32}$, yielding 6.747 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$ at $100\frac{4}{32}$, to yield 3.773 per cent.

After opening with a firm tone due to buying by Japanese investors, the market came under pressure in early trading from two sales of Treasury futures by primary dealers, which brought prices down from their overnight highs.

After the futures sales, however, the market settled down with prices little changed across the maturity range.

The absence of new economic statistics contributed to the downbeat nature of the trading.

The next set of data will come today with the publication of the March housing starts.

Analysts are expecting the figures to show a slight decline, attributable to the affect on housebuilding of last month's winter storms.

FT FIXED INTEREST INDICES

	April 19	April 16	April 15	April 14	April 13	Year ago	High *	Low *
Govt Secs (UK)	96.68	96.35	96.91	97.12	97.60	88.65	98.04	93.28
Fixed Interest	111.89	112.78	112.86	113.01	113.02	102.80	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	April 16	April 15	April 14	April 13	April 8
Gilt Edged Bargains	110.3	121.4	107.8	103.5	86.9
5-Day average	106.6	103.8	99.8	97.8	96.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	[illegible]	+0.289	7.41	7.56	7.63
BELGIUM		9.000	03/03	111.0000	[illegible]	7.38	7.38	7.41
CANADA *		7.250	06/03	99.5500	+0.050	7.31	7.54	7.47
DENMARK		8.000	05/03	102.1500	+1.650	7.58	7.80	[illegible]
FRANCE	BTAN	8.000	05/98	104.7881	+0.129	6.84	6.92	7.16
	OAT	8.500	04/03	108.9900	+0.140	7.07	7.13	7.39
GERMANY		7.125	12/02	103.9650	+0.045	6.55	6.60	6.67
ITALY		11.500	03/03	93.2650	+0.215	13.11†	13.31	12.80
JAPAN	No 119	4.800	06/99	102.9411	-0.125	4.20	4.30	[illegible]
	No 145	5.500	03/02	108.0504	+0.033	4.26	4.33	4.07
NETHERLANDS		7.000	02/03	103.4700	[illegible]	6.50	6.58	6.63
SPAIN		10.300	06/02	93.6308	+0.212	11.44	11.69	11.47
UK GILTS		7.250	03/98	101-01	-9/32	7.00	6.89	6.71
		8.000	06/03	101-08	-	7.83	7.88	7.68
		9.000	10/08	106-11	+2/32	[illegible]	8.11	8.21
US TREASURY *		6.250	02/03	102-24	[illegible]	5.87	6.12	5.96
		7.125	02/23	104-21	-4/32	6.76	6.89	6.82
ECU (French Govt)		8.000	04/03	103.1200	+0.160	7.54	7.50	7.51

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Yield premium on UK corporate bonds at low-point

By Richard Waters

THE YIELD premium on unsecured sterling corporate bonds compared with secured paper has fallen to unprecedented levels, according to an analysis from Barclays de Zoete Wedd.

But with a shortage of new bond issues from UK companies and subsiding concerns about credit quality as the UK comes out of recession, many analysts expect yield spreads to remain at tight levels.

According to BZW, the yield spread between secured and unsecured stocks in the sterling bond market is "at an all-time low".

The risk premium on unsecured paper, by this measurement, is now less than 20 basis points, compared with around 80 basis points in early 1990.

Factors driving the narrowing of spreads include the search by investors for higher yields as UK interest rates have fallen, as well as the relative scarcity of new paper from UK companies.

Mr Hugh Corbett, an analyst at UBS in London, added that the experience of Queens Moat Houses – trading in whose debentures was halted at the end of March – and London and Provincial Shops, which prepaid a debenture issue earlier this year, had also weakened faith in secured bonds.

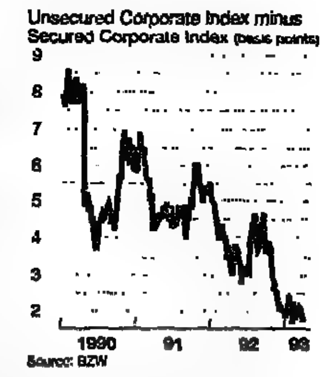
"People like solid corporates – [confidence in] asset-backing of property has been blown apart in the last year."

According to BZW, in its latest quarterly review of the outlook for the sterling bond market, there has been a distortion of "the relationship between credit ratings and spreads along the [yield] curve and the question of where value lies in now a difficult one."

The bank concludes, though, that unsecured issues are "for the most part not overvalued."

Yield spread

Unsecured Corporate Index minus Secured Corporate Index (basis points)



Source: BZW

Republic of Austria returns to the Dutch guilder sector

By Tracy Corrigan

THE Republic of Austria returned to the Dutch guilder sector yesterday after a five-year absence, attracted by the narrowing of the yield differential between Dutch and German government bonds.

A year ago, Dutch bond yields were 30 to 40 basis points higher than bund yields, but Dutch bonds are now trading roughly flat to the German market, depending on which area of the yield curve is taken.

Since the policy of the Austrian federal financing agency is that exposure to D-Marks or guilders does not create foreign exchange risk, the decision to tap the market was based on interest rate levels. Yields in the Austrian market are 20 to 30 basis points higher than in Germany or the Netherlands.

Although the financing was "slightly more expensive" than a comparable deal in the German market, according to Mr

INTERNATIONAL BONDS

Helmut Eder of the financing agency, the issue allowed the borrower to diversify.

Austria has now completed about two-thirds of its planned foreign borrowing programme of $3bn this year.

This is the largest deal launched in the guilder market for some time. Lack of swap opportunities has discouraged foreign investors, and Dutch companies have been waiting for further declines in rates.

Austria's Fl 1bn six-year issue was priced to yield 8 basis points over the comparable Dutch government bond. The yield looked attractive against D-Mark bonds, as six-year Dutch government bonds yield about 10 basis points more than comparable bunds, while at the 10-year area, Dutch bonds trade five basis points through bunds.

In the Italian bond market, Eurofima launched a L300bn 10-year deal, the third issue at that maturity in the last week. The deal was arranged by Banca Nazionale de Lavoro.

Activity in the dollar market is likely to take centre-stage for the rest of the week, if a number of transactions under discussion go ahead.

Abbey National, the UK bank, is in discussions with banks over a $1bn, 10-year offering, expected to be priced to yield 60 basis points more than the comparable US Treasury. Goldman Sachs and UBS are tipped as likely underwriters. Officials in Abbey National's treasury department were unavailable for comment yesterday.

Also expected to emerge in the next few days is a five-year offering totalling at least $500m for Canada's Export Development Corporation. Credit Suisse First Boston was said to have won the mandate to arrange the deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
CIC(a)‡	250	(a)	99.875R	May.1998	0.15R	-	Merrill Lynch Intl.
Z-Lbk Bank Austria(b)‡	150	(b)	100R	May.2003	0.6R	-	Lehman Brothers Intl.
GUILDERS							
Republic of Austria	1bn	6.5	100.05R	May.1999	0.2R	+8 (7%-99)	ABN Amro Bank
AUSTRALIAN DOLLARS							
R&I Bk.Western Australia(c)	100	7.75	100.15	Jun.2003	2.125	-	Hambros Bank
ITALIAN LIRA							
Eurofima	300bn	10.75	101.6	May.2003	1.875	-	Bca.Nazionale de Lavoro

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Borrower's full name: Cie Financière de CIC et de L'Union Européenne. Coupon pays 3-month Libor + 0.2%. b) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%

Changes in coverage of new bond issues

STARTING today, the Financial Times' daily coverage of new issues in the international bond market is being extended to include yield spreads, where relevant.

In the new international bond issues table, the numbers shown (in basis points) are the yield spreads at which each issue was launched over the relevant benchmark government bond. The coupon and maturity of the benchmark are shown in brackets after the spread: where further details are necessary, they will be shown in a note. The spreads are supplied by the lead managers of each transaction.

Details of prices and fees are being amended to reflect the prevalance of the fixed-price reoffer method of selling bonds in the Euromarket. For bonds sold using the fixed-price reoffer system, the price shown for each bond is the price at which they are offered to investors (an "R" next to the price indicates this method of pricing). For these issues, the fees paid to underwriters will be shown at the reoffer level: they indicate the fees earned by underwriters if the bonds are sold at the reoffer price.

For other issues, the price shown is the issue price, with the full fees for underwriters if the bonds were sold at that price.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5.15 pm on April 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 6 1/8 94	200	106¼	106⅝	+⅛	4.10
ALBERTA PROVINCE 9 3/8 95	600	111	111⅜		[illegible]
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]	[illegible]	6.96
BANK OF TOKYO 8 3/8 96	100	[illegible]	[illegible]	[illegible]	5.10
BELGIUM 9 5/8 98	250	[illegible]	118	[illegible]	5.63
BFCE 7 3/4 97	150	[illegible]	[illegible]	[illegible]	5.16
BNP 8 5/8 94	300	[illegible]	106		4.05
BRITISH GAS 0 21	1500	[illegible]	[illegible]		8.09
CANADA 9 95	1000	[illegible]	[illegible]	[illegible]	4.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible] 7 1/2 95 LFr	600	[illegible]	[illegible]		8.11
ECSC 7 3/4 94 LFr	1000	100	[illegible]		7.71
WORLD BANK 8 96 LFr	1000	[illegible]	[illegible]		7.47
ENERGIE BEHEER 8 3/4 98 Fl	500	[illegible]	[illegible]		6.81
UNILEVER 9 00 Fl	500	[illegible]	[illegible]		6.27
ALBERTA PROVINCE 10 5/8 96 C$	500	108	[illegible]		[illegible]
BELL CANADA 10 5/8 99 C$	150	111	[illegible]		8.28
BRITISH COLUMBIA 10 96 C$	500	107	[illegible]		7.39
EIB 10 1/8 98 C$	130	110	[illegible]	[illegible]	7.59
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	62	8
Other Fixed Interest	3	9	3
Commercial, Industrial	369	223	811
Financial & Property	189	95	518
Oil & Gas	24	13	47
Plantations	1	0	7
Mines	31	29	75
Others	68	27	30
Totals	702	448	1,498

LONDON RECENT ISSUES

EQUITIES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
265	Nil	13/5	78pm	59pm	Low & Bonar	59pm	
36	Nil	7/5	10pm	10pm	Mayflower Corp.	10pm	
160	Nil	13/5	54pm	19pm	Medeva	30pm	+4
150	Nil	28/5	21pm	13½pm	Slough Estates	14pm	

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings April 5
- Last Dealings April 23
- Last Declarations July 15
- For settlement July 26

3-month call rate indications are shown in Saturday editions.

Calls in Armour Trust, BM Pref., British Steel, Cannon St. Invs., Casket, GrestaCare, Fairhaven, Ferranti, Greycoat, Hanson warrants, Hartstone, Learmonth & Burchett, Mid-States, Tadpole Tech., Tarmac and Taylor Nelson AGB. Put in Taylor Nelson AGB. Double in Kunick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons	500	58	65	72	12	20	28
(*546)	550	28	38	46	34	43	50
ASDA	67	8	12	-	8	8	-
(*69)	76	5	7½	-	10	13	-
Brit. Airways	280	24	33	37	15	19	24
(*285)	300	15	24	28	25	30	34
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar	85	11	13	-	7	10½	-
(*85)	92	6	10½	-	13	18	-
Utd. Biscuits	360	48	54	60	10	16	20
(*389)	390	29	35	45	20	29	36
Unilever	1100	68	91	[illegible]	28	39	42
(*1123)	1150	37	63	76	[illegible]	63	73

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAA	750	32	48	60	12	30	38
(*767)	800	9	24	38	40	59	68
BAT Inds	800	29	56	72	24	41	53
(*800)	850	11	35	51	56	68	93
BTR	600	24	40	51	8	20	31
(*613)	650	4½	16	29	42	48	60
Brit. Telecom	390	31	40	45	2½	11	18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays	390	37	48	56	9	19	26
(*413)	420	19	31	42	22	33	40
Blue Circle	220	25	34	40	6½	13	16
([illegible])	240	13	24	30	15	21	28
British Gas	300	12	20	23	12	[illegible]	23
(*308)	330	3	8½	12	34	38	42
Dixons	180	27	32	38	6	12	15
(*197)	200	14	[illegible]	27	13	22	26
Eurotunnel	420	50	68	82	20	36	[illegible]
(*440)	460	25	45	60	42	57	68
Brit Aero	280	22	38	[illegible]	11	26	37
(*287)	300	11	29	42	23	37	50

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Glaxo	550	42	63	73	24	40	56
(*562)	600	21	41	52	54	68	84
Hillsdown	140	17	22	26	5	8½	13
(*151)	160	6½	12	17	15	19	23
Lonrho	80	10	13	16½	5	8½	10½
(*83)	90	5	8½	12	11	14	16½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2830)

PUTS								
[illegible]	8½	[illegible]	28	52	85	126	172	222
Jun	19	30	47	68	98	136	177	222
Jul	31	45	62	84	111	[illegible]	[illegible]	226
Aug	43	[illegible]	74	95	123	[illegible]	193	233
Dec †	80	-	120	-	165	-	220	-

April 19 Total Contracts 23,608
Calls 11,367 Puts 12,241
FT-SE Index Calls 2,877 Puts 6,145
Euro FT-SE Calls 1,549 Puts 862
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Apr 19	Day's change %	Fri Apr 16	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	127.30	-0.24	127.60	1.48	3.82
2	5-15 years (24)	147.07	[illegible]	147.13	1.04	5.22
3	Over 15 years (8)	158.16	+0.07	158.05	[illegible]	3.10
4	Irredeemables (6)	181.13	[illegible]	182.25	4.15	1.48
5	All stocks (61)	143.47	-0.09	143.60	1.38	4.39
	Index-Linked					
6	Up to 5 years (2)	183.86	+0.03	183.80	[illegible]	1.92
7	Over 5 years (12)	173.69		173.70	0.58	1.72
8	All stocks (14)	173.91		173.91	0.54	1.75
9	Debs & Loans (68)	127.44	-0.02	128.19	1.76	3.81

AVERAGE GROSS REDEMPTION YIELDS

			Mon Apr 19	Fri Apr 16	Year ago (approx.)
	British Government				
1	Low	5 years	6.96	6.90	8.36
2	Coupons	15 years	7.86	7.87	[illegible]
3	(0%-7¾%)	20 years	8.09	8.10	9.03
4	Medium	5 years	7.23	7.16	9.27
5	Coupons	15 years	8.26	8.28	9.07
6	(8%-10¾%)	20 years	8.41	8.42	9.05
7	High	5 years	7.45	[illegible]	9.50
8	Coupons	15 years	8.52	8.50	[illegible]
9	(11%-)	20 years	8.59	8.57	9.12
10	Irredeemables(Flat Yield)		8.49	8.43	9.22
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.27	2.28	3.97
12	Inflation rate 5%	Over 5 yrs.	3.46	3.46	4.54
13	Inflation rate 10%	Up to 5 yrs.	1.32	1.32	3.24
14	Inflation rate 10%	Over 5 yrs.	3.27	3.27	4.34
15	Debs &	5 years	8.97	8.97	10.62
16	Loans	15 years	9.40	9.39	10.48
17		25 years	9.60	9.59	10.38

Despite signs of recovery no return to profitability is foreseen until 1994

Ibstock Johnsen £27.6m in the red

By Richard Gourlay

IBSTOCK JOHNSEN, the UK's third largest brick maker, barely broke even a the trading level in the year to last December and said it was unlikely to return to profitability until 1994.

But reinforcing reports that building activity is picking up in the UK, Mr Colin Hope, Ibstock Johnsen's chairman, said demand for bricks had risen sharply in the first three months of the year.

Ibstock Johnsen was reporting operating profits before exceptional items of £382,000, down from £10.1m, on sales down 3 per cent at £277m.

As forewarned, the group made a £28.6m exceptional provision to cover the cost of reorganisation, which will include the closure of four brick plants over the next 18 months. A profit of £10.6m became a loss of £27.6m at the pre-tax level.

Losses per share came out at 9.89p, against earnings of 2.58p last time, and the group has cut its final dividend to 0.5p (3.75p), giving a total for the year of 1p, down from 6p.

The brick industry had become only marginally profitable, according to Mr Ian Maclellan, managing director. The group would this year be focusing on generating cash by destocking, selling surplus assets and cutting capital expenditure.

"The provisions will be sufficient to get our businesses in the US and the UK back to a profitable position but we are, to some extent, delving in the unknown," said Mr Hope. He said there would be little benefit until 1994.

Trading in UK building products was hardest hit, with profits of £9.79m falling to £2.74m. In the US, a £683,000 loss grew to £1.64m and in continental Europe profits slipped from £2.41m to £2.12m.

The forest product trading loss also increased – from £1.38m to £2.83m. Mr Hope said that at "current world prices, the business is unlikely to be profitable in the short term".

The chairman said he was confident of the economic recovery in the UK but was less sure of the return to growth in the US.

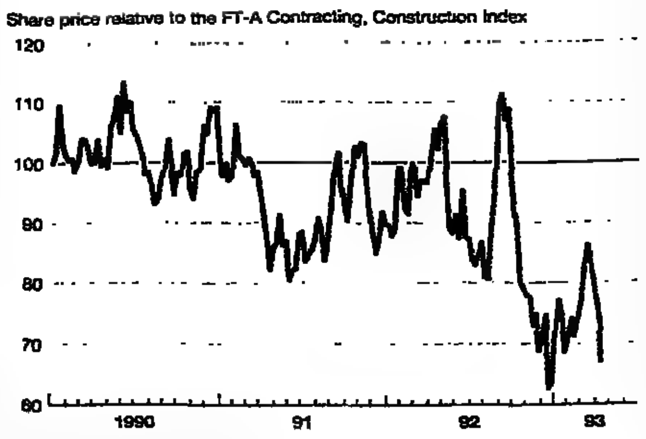
At the end of December, net debt rose to £45m and gearing climbed to 19 per cent – after a £15m write-down in the value of reserves to take account of the reduced value of clay reserves which will no longer be exploited after the imminent closures.

COMMENT

If recent estimates of the speed of recovery in house building are to be believed, six months' supply of bricks held in the UK could already be falling. Taken with the lower depreciation charge, after yesterday's asset write-downs, profits should start to come back for the group this year even if brick makers are not able to make price rises stick with the housebuilders. But Ibstock Johnsen has badly underperformed the sector because of recession in another of its markets – pulp. For that market to turn, further capacity will need to go, and that will take time. However, one advantage of recessions in each of its markets – house building, bricks and pulp – is that the bounce, when it comes, could be sharp. Investors should not, however, hold their breath. This year profits should be only marginally higher. In 1994, however, pre-tax profits could jump to £8.8m, or 2.8p of earnings.

Ibstock Johnsen

Share price relative to the FT-A Contracting, Construction Index



Source: FT Graphite

Babcock loses chief in strategy disagreement

By Andrew Bolger

BABCOCK International yesterday said that Mr Oliver Whitehead is to leave his post as chief executive of the engineering group after disagreeing with the board over strategy.

Alfred McAlpine, the construction group, declined to confirm that Mr Whitehead would become its next chief executive, but said a statement would be made later in the week.

Babcock cut its interim dividend in October and warned that difficult trading conditions in all the group's markets would depress future profits. Babcock shares yesterday closed ¼p lower at 37½p, well below last year's peak of 69p.

Mr Whitehead, who was appointed chief executive in 1989, at the time of the demerger of Babcock from FKI Babcock, earned £322,434 in the year to March 31 1992. The group said terms had been agreed for the early termination of his contract, which entitled him to three years' notice.

Babcock said: "Mr Whitehead has made a valuable contribution to Babcock since its listing as a separate company, but in considering the future strategy of the group the board has recently concluded that the Babcock Group requires new direction."

The group said it was currently in talks with a potential successor and an announcement would be made as soon as the appointment was confirmed. Until then, Mr Jeff Whalley, Babcock's deputy chairman, who is also chairman of FKI, will be acting chief executive.

Mr Whalley denied there had been a row between Mr Whitehead and Lord King, Babcock's chairman, and the rest of the board. He said: "There was no row – I hope we're fairly civilised fellows. Oliver wanted to go one way, but there were a number of projects which the board had difficulty with."

Lord King: row with Oliver Whitehead denied

Although Mr Whitehead was responsible for moving Babcock into areas such as water treatment and materials handling, the disagreement is not believed to have concerned the diversification moves made to date.

There was, however, considerable concern when Babcock Energy, the group's power plant division, revealed a £5m provision for costs arising from difficulties at a combined-cycle power station at Killingholme in Humberside.

The delay before these problems were identified is likely to lead to further changes at middle-management level. A new chief executive will also be charged with giving greater priority to finding a strategic partner for Babcock in the power plant area, where the group competes with some of the world's biggest contract engineering groups.

Mr Whalley, who was asked by Lord King to strengthen the board, said he hoped to name a new non-executive director, who was a knowledgeable industrial contractor, within four or five weeks. In January the group appointed as a non-executive director Mr Alan Wheatley, who resigned recently as chairman of 3i, the venture capital group.

Babcock will report is results for the year to March 31 in May. The board said it expected trading to be broadly in line with the indications given at the time of the October profit warning. Panmure Gordon, the house broker, is forecasting pre-tax profits of £35m, compared with £50.1m last time.

Regalian confidence after sales

By Vanessa Houlder, Property Correspondent

REGALIAN Properties yesterday told shareholders it had agreed the sale of eight flats in its Kensington Palace Gardens development, its ambitious residential project that has been on the market for the last two years.

Sale prices of the flats were not disclosed, but analysts believed they were equivalent to a reduction in the building's value from an initial asking price of £117m two years ago to about £45m.

The flats are being bought by Hong Kong and Middle Eastern clients, who were encouraged to purchase in the UK by the devaluation of sterling.

Mr David Goldstone, chairman of Regalian, said there was substantial interest in the other 12 apartments in the block. Sales of the remaining residential portfolio continued to be buoyant, he said.

"It is confidently expected that in respect of both the Kensington Palace Gardens project and the Central London portfolio, the majority of remaining units will be disposed of within the current financial year."

Regalian's banks have agreed in principle to extend its facilities until December 1994. The company said that its improved cashflow resulting from property sales would give it the opportunities to buy development sites on attractive terms.

The shares price rose from 15¼p to 19p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- St Ives, Smith

Finals- [illegible]

FUTURE DATES

Interims-	
British Gas	Sep 9
Low (Wm)	Apr. 22
MMT Computing	May 6
Titan Holdings	May 5
Usborne	Apr. 23
Finals-	
Barlows	Apr. 21
Britannia Group	Apr. 26
FKI	Jun. 15
Fine Art Dev	May 12
Pitch	Apr. 22
Lister Tyndall	Apr. 23

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AS Foods	int	8.5	Sept 1	8.5	-	14
Asda Property	fin	1.45	July 1	1.35	2.1	2
Bisichi Mining	fin	0.63	Aug 27	0.6	0.63	0.6
Greenacre §	fin	0.15	June 25	0.125	0.28	0.25
Ibstock Johnsen	fin	0.5	-	3.75	1	6
Lon & Assoc Inv	fin	0.53	Aug 31	0.48	0.58†	0.53
Quarto	fin	3.759	June 14	3.638	5.37	5.25
Scott Met Prop	int	0.4	Aug 16	1.5	-	1.5
Socs Trt of Scot	fin	2.17	July 1	2.17	3.25	3.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Rentokil makes £1.75m acquisition

Rentokil has acquired the facilities maintenance division of John Lelliott, the building company which is in receivership, for a maximum £1.75m cash.

In the year to June 30 1992 the business had turnover of £6.49m and profits of £440,000.

Hillsdown sale

FMC, a subsidiary of Hillsdown Holdings, has sold its abattoir at Bromsgrove to management for £2.5m. Bromsgrove processes some 4,000 lambs and 800 cattle per week.

NHL wins approval for Eurobond repayment

By Tracy Corrigan

NATIONAL Home Loans, the mortgage lender, yesterday won approval at a bondholders meeting to repay a DM150m (£61m) Eurobond issue on schedule in June.

The agreement means that NHL will face no debt repayment obligations until November 1995, according to Mr Nigel Terrington, the group's finance director.

Earlier this year, NHL had abandoned plans to reschedule the D-Mark Eurobond. But in order to redeem the bonds at maturity, NHL had to gain the approval of its dollar bond holders, whose bonds were restructured along with NHL's bank debt last year, in order to extend their maturity to December 1995.

The company has a second D-mark Eurobond outstanding, which falls due in November 1993.

NHL was rescued by its banks from collapse last year, and is now paying interest of 200 basis points over Libor (the London interbank offered rate) on its £400m of bank debt, compared with 30 basis points over Libor, prior to the restructuring. It is also paying 200 basis points over dollar Libor on its rescheduled dollar bonds.

Since last year, NHL has been running down its mortgage business and concentrating on repaying its debt. It now has a mortgage book of £325m, after removing more than £2bn of mortgages from its balance sheet through securitisation.

Pay rise for Simon chief

By Angus Foster

SIMON Engineering, which last year reported its second successive year of falling profits and cut its dividend, awarded its chief executive Mr Brian Kemp a 7 per cent pay rise.

According to the company's annual report, released yesterday, Mr Kemp's emoluments excluding pension contributions increased nearly £11,000 to £167,265 in the year to December 31.

During the same period, Simon's pre-tax profits fell from £18.3m to £5.3m, earnings fell from 12.5p to 2.6p and dividends fell from 15.7p to 5p.

Mr Kemp, 49, has a service contract with a three-year notice period.

In the annual review the company said that 1,000 people had been made redundant in the last year.

Waste Management up 26%

By Angus Foster

WASTE MANAGEMENT International, the UK-listed overseas arm of Waste Management of the US, yesterday reported first quarter profits in line with expectations and said it was continuing to benefit from acquisitions and internal growth.

Pre-tax profits increased 28 per cent to £34.4m in the three months to March 31 on turnover 18 per cent higher at £220.9m. Most of the increase in sales was due to acquisitions, although there were also gains due to price increases and foreign exchange swings.

Europe remained the company's most important market, accounting for 82 per cent of sales compared to 77 per cent last year. Asia continued to grow in importance, accounting for 10 per cent of sales. The company is involved in or studying projects in Hong Kong, Indonesia and Malaysia.

Its hazardous waste treatment plant in Hong Kong is due to begin commercial operations in the next few days. The company has also submitted four proposals for waste energy plants in Taiwan.

Earnings increased 19.6 per cent to 6.1p. That fell in the middle of forecasts issued last week by the company following concerns, mainly in the US, that profits were below expectations. The company does not pay dividends.

The shares, which were listed last year at 585p, gained 1p to 544p.

هكذا من الأصل

Pinning its future on launching trusts

The refocused Ivory & Sime is planning to reassert itself, reports Norma Cohen

THE past 10 years have not been easy for Ivory & Sime, the Edinburgh-based fund management company whose star was once among the brightest in the investment firmament.

But now the company is moving to reassert itself in the product which has been at the heart of its success, the investment trust.

Yesterday, Ivory & Sime launched its first investment trust in four years after having remained in the background while competitor after competitor came to the market with increasingly sophisticated products.

The trust, to be known as Income and Savings Investment Schemes, is expected to raise £100m in new funds, and features an investment twist which allows investors to capitalise on the more generous treatment of capital gains tax.

Mr Gordon Neilly, finance director, said the company intends to launch as many as four more trusts, one possibly as early as June, all of which will be aimed at private investors rather than institutional clients.

"We see the return of the private investor as crucial to our strategy," said Mr Neilly, adding that he wants to increase the percentage of retail investment trust business from its current level of 30 per cent.

Competition for institutional buyers of investment trusts has become much tougher since many fund managers began running their own internal products, Mr Neilly said, explaining why he wished to change the company's focus. Other products are also likely to offer tax efficiency as a selling point.

Mr Neilly said the company has sat on the sidelines for so long "because we felt the time wasn't right and we didn't have the right product".

But pension consultants say the company has also been too preoccupied with its internal difficulties to concentrate on new product development or marketing.

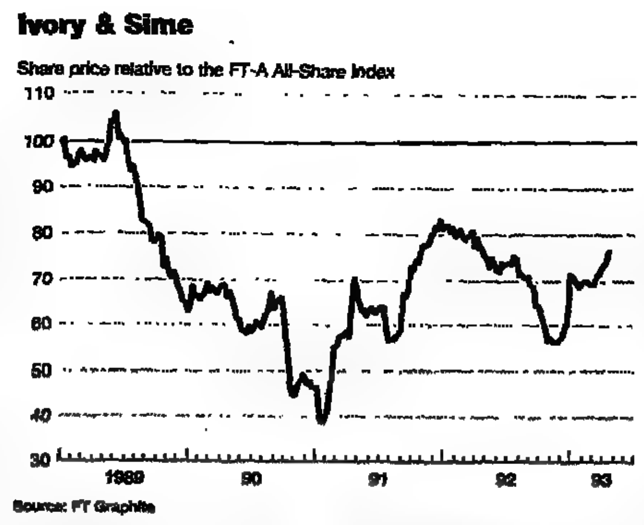
"Ten years ago, they were winning half of all the assignments out there," said one pension fund consultant. But a string of well-publicised defections of senior management – who in the mid-1980s managed to take many of the company's best clients with them – had left the firm floundering.

Investment performance suffered, and pension fund clients in particular deserted it, consultants said.

The firm soldiered on through some tough years before refocusing its institutional business and sharpening its expertise as an equities-oriented specialist pension fund manager.

By 1990, when Ivory & Sime had begun to recover in the performance league tables and had set about assembling a high-quality investment team, it was hit again by defections.

This time the former managing director, Mr David Ross, left with a string of five senior executives to set up a new firm, Aberforth Partners. The former chairman left as a result, and the company now has a completely new board of directors.



Source: FT Graphite

Although the more recent defections did not appear to affect fund performance – consultants say their specialist funds have achieved top half performance over the past three or four years – new pension clients have not been knocking at the door. "All of our new business has been from existing clients," Mr Neilly said.

In addition to broadening its product range, Ivory & Sime has taken the unusual step of acquiring a telemarketing distribution company.

The company answers inquiries from potential clients who have responded to the company's targetted newspaper advertising campaign.

Mr Neilly said he believes that up to 25 per cent of all sales of Ivory & Sime's new ISIS product will come through the distribution company, saving considerable costs.

Ivory & Sime, according to one pension consultant, is living proof of the axiom that no one investment star is likely to shine in the firmament indefinitely. The question for the company is whether it can make its star shine once again.

Asda Property soars 36 per cent to £6m

ASDA Property Holdings has more than lived up to expectations with pre-tax profits showing a gain of 36 per cent for 1992 at £6.02m, compared with halved profits at the interim stage.

During the year the sale of the greater part of its tenanted residential portfolio for £36m was completed, with a high proportion of it low income or non-income producing.

This represented only slightly more than half of the total sales achieved during the year of some £70m; the net result at the year end was a reduction from £117m to £67m in net debt.

Rental income showed marginally ahead at £11.2m; with other sales and additions the rent roll is now almost £13m which covers current interest and overheads more than 1.4 times.

The impact on profit of the extraordinary level of sales was largely offset by property write-downs amounting to £1.3m and costs of £1.1m incurred in unwinding interest rate hedging against borrowings repaid.

Financing charges showed a drop from £12.9m to £10.7m.

Mr Manny Davidson, chairman, told shareholders of progress on several fronts including commercial property, the investment portfolio and development projects.

He also said that the group had been able to generate trading profits of over £1m from new commercial ventures. The division was continuing the contribution to profits in the current year.

He reported that investment acquisitions since the year end had been made totalling £12m with a combined yield of 13 per cent. All were modern properties let on long leases to a mix of good tenants and had potential for capital appreciation through active management.

Earnings worked through at 8.1p (5.4p), and the dividend total goes up to 2.1p (2p) with a final of 1.45p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 20.04.93: Pool purchase price £/MWh	Final Prices for Trading on 23.03.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.54	18.01	18.01
0100	18.09	18.20	18.20
0130	19.87	21.35	24.29
0200	48.54	18.67	18.87
0230	48.54	18.13	18.13
0300	18.87	18.11	18.11
0330	18.87	18.08	18.06
0400	18.63	17.64	17.64
0430	18.58	[illegible]	17.59
0500	18.54	17.56	17.58
0530	18.46	17.64	17.64
0600	18.11	17.57	17.57
0630	18.60	17.57	17.57
0700	19.00	18.51	18.51
0730	25.26	21.03	23.84
0800	27.31	22.77	25.72
0830	28.12	23.85	26.94
0900	28.13	24.88	27.88
0930	28.12	24.99	28.00
1000	27.32	24.99	28.00
1030	27.32	24.99	28.00
1100	27.32	24.99	28.00
1130	26.24	24.99	28.00
1200	28.14	28.03	31.16
1230	[illegible]	28.03	31.15
1300	28.12	28.02	31.15
1330	28.22	23.98	26.98
1400	28.22	23.38	26.34
1430	25.48	23.38	26.36
1500	25.48	23.38	26.36
1530	25.48	19.00	19.00
1600	25.48	23.21	26.17
1630	29.66	23.58	26.33
1700	35.01	27.98	31.06
1730	35.01	27.98	31.04
1800	35.00	27.98	31.05
1830	28.57	23.38	26.31
1900	25.48	28.15	31.17
1930	19.07	28.15	31.16
2000	19.00	[illegible]	31.17
2030	19.00	23.38	26.29
2100	34.63	22.77	25.66
2130	38.00	22.45	25.35
2200	26.00	22.45	25.38
2230	26.22	18.35	18.35
2300	26.26	18.06	18.06
2330	25.26	17.57	17.57
2400	16.00	17.58	17.58

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of [illegible] in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to [illegible] alterations until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NCC Settlements Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and 5.15pm Monday to Friday.

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Scottish Metropolitan back in the black with £0.5m

Substantial reductions in administrative and interest costs enabled Scottish Metropolitan Property to return a pre-tax profit of £532,000 for the half year ended February 15 1993.

That compared with a losses of £840,000 for the corresponding period which were reduced to £490,000 by the year-end.

Net revenue from properties was marginally reduced to £9.96m compared with £10.6m. The programme of sales remained ahead of schedule. Eight investment properties were sold realising £16.3m and showing in aggregate a 9.7 per cent reduction on book value. Major sales included Pentland House, Edinburgh and a unit on the Longfield Industrial Estate, Tunbridge Wells.Since the half year further disposals realised £7.15m.

Total borrowings were down to £157.8m and at April 15 had further been cut to £150m. The company has negotiated extension until October 31 1995 of banking facilities. The total facilities, prior to final repayment, are to reduce in tranches to £84.7m; outstanding borrowings under those facilities at April 15 were £86m.

Earnings per share in the half year came to 0.43p (losses 1.38p). The interim dividend is cut to 0.5p but it is intended to maintain 1.5p for the year.

Five Oaks hit by £1m write-down

AFTER providing £1m further write-down in investment and development properties, Five Oaks Investment saw its pre-tax losses increase from £371,000 to £953,000 in the six months ended December 31 1992.

Although the company felt the property market was bottoming out it was thought prudent to provide write-down, explained Mr Trevor Robinson, chairman.

On a brighter note, he said rental income now exceeded all interest and other outgoings; in the half year the surplus, with other income, was £50,000 against a deficit of £578,000.

Apart from rising rents and diminishing voids, the improved performance reflected lower borrowings following the sale of the Hanley property and strict control of overheads.

Losses per share came to 2.04p (0.8p).

Asset surge at EFM Dragon

Over the six months to February 28 net asset value at EFM Dragon Trust has jumped 61 per cent, reflecting strong performances from all Pacific stock markets.

Returns had been enhanced by sterlings's withdrawal from the ERM and its subsequent depreciation.

At February the asset value was 19.32p, against 12.03p at August 15 and 13.23p a year earlier.

The geographical split of the portfolio is in Hong Kong 17.4 per cent, compared with 39.2 per cent in August 1992; Thailand 25 (16.3) per cent; and Malaysia 18.8 (13.8) per cent.

Total revenue in the half year was £754,000 (£493,000) and the loss per share was cut from 0.062p to 0.006p.

Securities Trust of Scotland lifts net asset value by 20.5%

Net asset value of Securities Trust of Scotland increased by 20.5 per cent to 84.5p over the year to March 31.

Net revenue after tax for the year rose marginally from £9.69m to £9.78m.

Earnings were just a shade better at 3.03p (3p) a share and the dividend total is held at 3.25p with a final of 2.17p.

Professionals called in to advise on investor and public relations

Barclays names headhunters

By Robert Peston, Banking Editor

BARCLAYS, the UK's biggest bank, has appointed Spencer Stuart, the international firm of headhunters, to advise it in its search for a new chief executive.

It has also appointed Makinson Cowell, the investor relations consultants, for advice on its relations with institutional shareholders, and Brunswick, the public relations firm, on its public image.

Barclays' image has been battered over the past year by its poor financial performance – it made a post-tax loss in 1992 of £343m – and by last year's controversial decision that Mr Andrew Buxton should combine the roles of chairman and chief executive.

It has never in the past employed specialist investor relations consultants, nor has it hitherto sought advice on its corporate image from a specialist financial public relations firm.

Both Brunswick and Makinson Cowell are leaders in their fields. Their combined fees for a full year's work for Barclays are likely to exceed £200,000, according to a banker.

Mr Buxton is hopeful that the chief executive search should not take much more than three months. Spencer Stuart will make its recommendation of the best candidates to a board sub-committee, headed by Sir Denys Henderson, chairman of ICI, the chemicals group.

A banker said he thought many of the leading candidates were likely to come from outside the UK.

After pressure from shareholders, which believe that big companies should not combine the chairman and chief executive positions, Mr Buxton decided in March to relinquish the role of chief executive.

However, the bank has not wanted to disclose the name of the headhunting firm, which was appointed within the past few weeks. "It is highly confidential", Mr Andrew Buxton said in a recent interview.

Spencer Stuart refused to comment on the appointment.

Buying Spanish minority for £23m

By John Gapper

BARCLAYS intends to spend £23m in acquiring the remaining 8.8 per cent of the shares in its Spanish subsidiary. It is making an offer of Pta825 per share which values them at 25 per cent over the price quoted on April 16.

The bank, which wholly owns most of its subsidiaries in Europe, said it expected to gain regulatory approval for the deal from the Spanish Securities Commission within 10 days. It subsequently expected to end the local listing.

Barclays said the largest minority holder of Barclays Bank SA, in which it first acquired an 80 per cent stake in 1981, had already indicated he would accept for his holding of 4.06 per cent of total shares.

The bank listed its subsidiary on the Spanish exchange in 1988 in order to establish a market in the shares for minority investors. It said liquidity and turnover since then had been inadequate to achieve the original aim.

Barclays Bank SA has assets of £220m, and contributed a profit of £18m to the parent, which last year recorded a pre-tax loss of £242m. The parent bank said the acquisition was in line with its preference for whole ownership of its subsidiaries.

Assets rise at London & St Lawrence

At February 28 1993 net asset value of London & St Lawrence Investment was 157.06p per share, an increase of 26 per cent over the 124.82p recorded a year earlier.

The company's principal holding continues to be in the units of the Gartmore Practical Investment Fund.

Dividends and interest received totalled £775,000 (£784,000) and earnings per share came to 2.7p (2.74p).

DTI clears four acquisitions

Among the offers and acquisitions given clearance by the Department of Trade and Industry are the Unigate acquisition of Clifford Foods, the Capital Radio bid for Midland Radio, the Ivax bid for Medeva's generic drugs unit and the bid by Tarmac for PSA Project.

London & Associated rises 14%

LONDON & Associated Investment Trust, the property investment group, reported a 14 per cent rise from £1.03m to £1.17m in pre-tax profits for the year to the end of December on gross income which had improved 16 per cent from £3.61m to £4.19m. Net assets at the year end showed a gain of 5 per cent to 39.34p on a year earlier.

An independent valuation of the group's portfolio showed a "creditable" surplus. The acquisition of the Brunel Centre, Bletchley, since the year end brings the total number of shops to more than 550 and the annual rental income to over £5m.

Property operating profits were higher at £1.96m (£1.87m) with other investments contributing a static £200,000 (£213,000). Share of associates was £94,000 (£42,000).

Earnings were down slightly from 1.14p to 0.99p, but the dividend goes up from 0.53p to 0.58p with a proposed final of 0.53p.

● Bisichi Mining, in which London & Associated has a 42 per cent interest, showed a 57 per cent increase in pre-tax profits from £106,000 to £166,000 in the 1992 calendar year. Earnings per share jumped from 0.78p to 1.34p and the proposed dividend goes up to 0.63p (0.6p).

Expansion helps Greenacre advance

GREENACRE GROUP, the USM-traded nursing home and residential care operator, has completed another year of profitable growth, with pre-tax profits 49 per cent higher for the 12 months ended January 31 1993.

The profit was £1.36m (£913,000) on FRS 3 basis, after charging £65,000 for the loss on the sale of the home brewing business. Turnover jumped from £3.03m to £4.82m, including contributions from acquisitions down from £681,000 to £410,000.

Mr Tony Acton, chairman, said beds under operation and/or development rose from 334 to 460 and the number of homes from seven to 10.

He said the group's limited reliance on publicly funded residents would leave it relatively unaffected by the initial confusion widely expected to result from the Community Care reforms which were introduced on April 1.

Fully diluted earnings per share were 0.57p (0.47p) on increased capital after conversion of preference shares into ordinary. The final dividend is 0.15p for a total of 0.23p (0.25p).

C&W to attack Asian markets

By Andrew Adonis

CABLE and Wireless, the UK telecommunications company, is planning a joint venture with Hongkong Telecom to penetrate telecommunications markets in Asia, including China.

C&W will own 51 per cent of the new company; Hongkong Telecom, in which C&W has a majority shareholding, will have 49 per cent.

Although the initial capital investment will be small, Lord Young, chairman of C&W, said the joint venture was intended "to take a significant share in the region's communications development".

Apart from its Hong Kong interests, consolidated into Hongkong Telecom in 1988, C&W already has several joint ventures or stakes in the regions, including activities in the Philippines, China, Thailand and Macao.

Its Asia Pacific business has grown rapidly over five years. By volume, its international traffic in the region was up from 341m outgoing minutes in 1988 to 976m last year.

With Asian telecommunications markets growing fast, the joint venture is designed to enable C&W to mobilise its regional expertise to enlarge its share.

Mr Mike Gale, chief executive of Hongkong Telecom and Asia director of C&W, who is to head the joint venture, said it was "an ideal vehicle for combining the resources and international reputation of the two companies in the development of business opportunities in Asia."

● Hongkong Telecom is one of nine companies set to sign a pact in June or July to lay underwater fibre optic digital cables linking nine Asian nations, at a cost of about US$610m (£406m).

According to Singapore Telecom, another participant, the other seven signatories will be from Japan, Korea, Taiwan, Indonesia, Malaysia, Thailand and the Philippines.

Cisco proposals include shake-up in SE structure

By Peggy Hollinger

A CITY lobby group is seeking a shake-up in the structure of the Stock Exchange as part of its proposals for alternatives to the Unlisted Securities Market which faces closure in 1996.

The City Group for Smaller Companies (Cisco) has drawn up proposals for a three tier market which will be sent out to its members some time this week.

The tiers include: an international equity market made up of the top 350 securities; a national market for the majority of the remaining companies listed both on the Official List and the USM; and an enterprise market with minimum regulation for companies not on the Official List.

Mr Richard Balarkas, chief executive of Cisco, said the latter two tiers would have separate governance from the international market. This should be done under a Stock Exchange umbrella, he said.

However, "it would mean a significant restructuring of the governing board of the Stock Exchange".

Cisco is also proposing that the class tests on the national market – ie, the levels of disclosure – should be similar to those currently used on the USM.

This would reduce the costs of maintaining a listing for companies on the national market, the vast majority of which would be capitalised at less than £50m.

Companies falling into the enterprise category would be higher risk, with no trading record or market value requirements. However, Cisco argues that investors should be protected from fraud rather than business risk.

Mr Balarkas said this could be done with existing regulations, such as independently audited accounts and codes of practice for corporate governance.

The group proposes that regulatory requirements for admission should be the minimum possible under UK and EC law. This last market would be governed by the same structure as the national market.

The Stock Exchange said the document raised several issues "which we are sure investors and companies would be concerned about at first sight".

The working party, which is being set up to examine alternatives to the closure of the USM and will be announced in the next few days, was expected to study the proposals closely.

It is unlikely the Stock Exchange will accept proposals on easing the class test requirements for the Official List. It is thought to argue that investors would reject attempts to reduce corporate disclosure.

Quarto slips to £3.81m but confident of brighter prospects

By Andrew Bolger

QUARTO GROUP reported a dip in pre-tax profits from £4.05m to £3.81m in what the publishing, marketing and production services company described as the "harshest year we have known".

Sales in the year to December 31 rose from £35.1m to £39.4m.

The US-registered group said: "Our determination not to trade sales for margins has restricted our turnover growth this year, but it is important to recognise that margins, once lost, are hard to regain."

Quarto is involved in publishing in the UK, US, Europe, the Far East and Australia, and said the diversity and geographic spread of its activities had afforded the group a degree of protection from poor market conditions.

Profits were depressed by a £160,000 exceptional charge relating to an aborted acquisition. There was also an extraordinary loss of £296,000 from the disposal of Lefax, which was sold to Filofax for £1.2m in October.

The board said that because of these charges, the performance of the group was better reflected by earnings per share of 16.2p (17.9p).

Quarto said prospects for this year were much brighter, with better sentiment in the US after the election feeding through into better sales. A similar effect had been seen in Australia, following last month's election, and even in the UK sales had risen.

In view of the better prospects, the group increased its final dividend to 3.75875p (3.6375p), making a total for the year of 5.37125p (5.25p).

Holders take up 9.7% of Templeton offer

TEMPLETON Emerging Markets Investment Trust announced that in respect of the 22.03m units placed subject to clawback in the placing and open offer of 85m offer units at 100p each, 8.24m units had been taken up by existing shareholders and warrant holders.

This represents 9.7 per cent of the total issue and 37.4 per cent of the offer units placed subject to clawback.

All the remaining units had been taken up by placees.

Templeton stated that with the addition of the proceeds of the placing and open offer, the net assets of the company would now exceed £238m.

Mr Douglas Adams, a director said the board was delighted with the result.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 19, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	64.4689	40.3645	58.0469
Albania	(Lek)	168.19	109.25	68.3005	98.3567
Algeria	(Dinar)	34.29	22.2734	13.9248	20.0525
Andorra	(Fr Fr)	8.3175	5.4027	3.3776	4.864
	(Sp Peseta)	177.90	115.557	72.2436	104.035
Angola	(Kwanza)	10393.3	6751.09	4220.65	6077.95
Antigua	(E Carr $)	4.12	2.6761	1.673	2.4093
Argentina	(Peso)	1.5317	0.9949	0.622	0.8957
Aruba	(Florin)	2.7369	1.7777	1.1114	1.6006
Australia	(A $)	2.1400	1.39	0.869	1.2514
Austria	(Schilling)	17.336	11.2601	7.0396	10.1374
Azores	(Port Escudo)	227.50	147.775	92.3857	133.041
Bahamas	(Bahama $)	1.5395	1	0.6251	0.9002
Bahrain	(Dinar)	0.5757	0.3739	0.2337	0.3368
Balearic Is	(Sp Peseta)	177.90	115.557	72.2436	104.035
Bangladesh	(Taka)	59.612	38.7216	24.2079	34.8608
Barbados	(Barb $)	3.0753	1.9975	1.2488	1.7984
Belgium	(Belg Fr)	50.70	32.9327	20.5898	29.6491
Belize	(B $)	3.058	1.9863	1.2418	1.7883
Benin	(CFA Fr)	415.88	270.14	168.885	243.205
Bermuda	(Bermudian $)	1.5395	1	0.6251	0.9002
Bhutan	(Ngultrum)	47.81	31.0555	19.4152	27.959
Bolivia	(Boliviano)	6.4065	4.1614	2.6016	3.7464
Botswana	(Pula)	3.5916	2.3329	1.4585	2.1003
Brazil	(Cruzeiro)	44540.5	28937.8	18091.2	26052.3
Brunei	(Brunei $)	2.4850	1.6141	1.0091	1.4532
Bulgaria	(Lev)	37.88	24.6053	15.3827	22.152
Burkina Faso	(CFA Fr)	415.88	270.14	168.885	243.205
Burma	(Kyat)	9.4750	6.1546	3.8477	5.5409
...		[illegible]			
Equat'l Guinea	(CFA Fr)	415.88	270.14	168.885	243.205
Estonia	(Kroon)	19.7680	12.8405	8.0276	11.5602
Ethiopia	(Ethiopian Birr)	7.5737	4.9195	3.0756	4.429
Falkland Is	(Falk £)	1.00	0.6495	0.406	0.5847
Faroe Is	(Danish Kroner)	9.4375	6.1302	3.8324	5.519
Fiji Is	(Fiji $)	2.3138	1.5024	0.9392	1.3526
Finland	(Markka)	8.4755	5.5053	3.4418	4.9564
France	(Fr)	8.3175	5.4027	3.3776	4.864
Fr. Cty/Africa	(CFA Fr)	415.88	270.14	168.885	243.205
Fr. Guiana	(Local Fr)	8.3175	5.4027	3.3776	4.864
Fr. Pacific Is	(CFP Fr)	150.8	97.4342	60.9137	87.7182
Gabon	(CFA Fr)	415.88	270.14	168.885	243.205
...		[illegible]			
Namibia	(S A Rand)	4.876	3.1695	1.9809	2.8526
Nauru Is	(Australian $)	2.1400	1.39	0.869	1.2514
Nepal	(Nepalese Rupee)	71.0178	46.1304	28.8397	41.5308
Netherlands	(Guilder)	2.7675	1.7976	1.1238	1.6184
N'nd Antilles	(A/Guilder)	2.7590	1.7921	1.1204	1.6134
New Zealand	(NZ $)	2.84	1.8447	1.1532	1.6608
Nicaragua	(Gold Cordoba)	9.2912	6.0352	3.773	5.4334
Niger Rep	(CFA Fr)	415.88	270.14	168.885	243.205
Nigeria	(Naira)	45.87	29.7953	18.6274	26.8245
Norway	(Nor. Krone)	10.4425	6.783	4.2406	6.1067
Oman	(Rial Omani)	0.5885	0.3822	0.2389	0.3441
...		[illegible]			
Vatican	(Lira)	2350.75	1526.96	954.619	1374.71
Venezuela	(Bolivar)	130.50	84.7677	52.9949	76.3157
Vietnam	(Dong)	16100.37	10458.2	6538.22	9415.42
Virgin Is-British	(US $)	1.5395	1	0.6251	0.9002
Virgin Is-US	(US $)	1.5395	1	0.6251	0.9002
Western Samoa	(Tala)	3.9115	2.5407	1.5884	2.2874
Yemen (Rep of)	(Rial)	25.22	16.3819	10.2416	14.7485
Yemen (Rep of)	(Dinar)	0.7109	0.4617	0.2886	0.4157
Yugoslavia	(New Dinar)	78274.1	50843.8	31788.4	45774.3
Zaire Rep	(Zaire)	3870500.0	2514128	1571777	2263459
Zambia	(Kwacha)	772.14	501.552	313.559	451.544
Zimbabwe	($)	9.738	6.3189	3.9504	5.6868

Special Drawing Rights April 16, 1993 United Kingdom 88.913450 United States $1.40842 Germany D Mark 2.28164 Japan Yen159.232
European Currency Unit Rates April 19, 1993 United Kingdom 80.790575 United States $1.20918 Germany D Mark 1.95041 Japan Yen134.461

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; $ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
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New York coffee prices head for 20-year lows

By David Blackwell

LONDON COFFEE prices closed sharply down yesterday, while the New York market continued its headlong plunge towards 20-year lows following the collapse of the International Coffee Agreement negotiations last month.

Yesterday the London July robusta contract closed at $859 a tonne, down $17 on the day, while the New York May arabica contract fell 0.95 to 52.75 cents a lb in late trading. Chartists believe the New York contract is heading below the 20-year low of 51.65 cents seen last September, possibly to test 50 cents a lb.

The world market's oversupply was reflected in last Friday's figures from the Green Coffee Association of New York, which estimated that US coffee warehouse stocks rose by 217,000 bags (60 kg each) to more than 10m bags, representing well over half US annual consumption of 18.45m bags.

Prices in the London robusta market have held up better than those in New York, partly because of a relative shortness of supply in nearby months. In addition, the large speculative element in New York has taken short positions following the collapse of the International Coffee Organisation talks, helping to depress the market faster.

Coffee producers are making frantic efforts to salvage something from the wreckage of the ICO talks. Colombia said last week that it was seeking a common front with Brazil and Mexico; the Central American countries are thought to be discussing a coffee retention plan; and the African producers plan to meet next Monday and Tuesday in Abidjan.

But analysts were dismissive of any cartel emerging. "They are not going to be able to agree on a cartel for the same reasons they could not agree at the ICO," said one yesterday. "With the best will in the world, it's just not going to work."

Surprise jump in Indian polished diamond exports

By R.C. Murthy in Bombay

INDIA'S EXPORTS of cut and polished diamonds jumped 10.6 per cent to US$3.24bn in the year to March 1993, surprising local businesses.

The rise resulted from windfall gains for India as consumers in the recession-hit West and Japan switched to small diamonds, in which the country specialises. A sharp fall had been feared as diamond polishing activity in the western part of the country came to a standstill for more than three months following intermittent riots.

India, which depends entirely on external sources for rough (uncut) diamonds, imported stones worth $2.38bn last year mainly through the Diamond Trading Corporation of India. The added value in exports last year was 36.1 per cent, up by two percentage points from the previous year.

Exports became more competitive last year with partial convertibility of the rupee, allowing 60 per cent of inward remittances to be converted at market rates. The remaining 40 per cent was to be offered at the rate fixed by the country's central bank.

Exporters were given a further boost as the rupee was made fully convertible last month. Mr M.R. Bhansali, chairman of gem and jewellery export promotion council, says the gain will amount be about 2 per cent.

Lower sugar crop forecast

INDIA WILL produce 11m tonnes of white sugar in 1992-93 (October-September), down from a record 13.3m tonnes last year, food minister Mr Kalpnath Rai said yesterday, reports Reuter from New Delhi.

Production has dwindled because of a drought in the western state of Maharashtra and some other parts of the country, the Press Trust of India quoted him as saying.

He said at least 500,000 tonnes of sugar would be exported during the present year, about the same as last year. Mr Rai said that carry-over stocks stood at about 1.6m tonnes.

The country exported 321,000 tonnes of white sugar in the first ten months of the 1992-93 fiscal year (April-March), Mr Kamaluddin Ahmed, the minister of state for commerce said in Parliament.

MIM covers all the options on Queensland deposit

By Kevin Brown in Sydney

MIM HOLDINGS, the Australian resources group, yesterday underlined its determination to acquire a substantial stake in the Ernest Henry copper-gold deposit in north-west Queensland by announcing a second conditional deal to buy the mining lease.

The Ernest Henry deposit was discovered in 1991 by a joint venture between Western Mining Corporation and Hunter Resources on a group of six leases owned by Savage Resources, a small coal and exploration company.

The deposit has indicated reserves of 69m tonnes of mineralisation at an average grade of 1.6 per cent of copper and 0.8 grammes per tonne of gold. However, its ownership is disputed between Savage Resources and the joint venture partners.

MIM announced earlier this month that it had agreed to buy Hunter Resources' 30 per cent interest in the Ernest Henry deposit and the adjacent Mount Fort Constantine area in the event that the Queensland courts ruled against Savage.

Under the second deal, announced yesterday, MIM would acquire 51 per cent of the deposit for A$92.5m (£43.5m) if the courts ruled in favour of Savage Resources, or A$14m for Savage's royalty rights if WMC and Hunter Resources are awarded ownership.

Alternatively, the agreement provides for a range of royalty and equity transfers to MIM if the dispute between Savage and the joint venturers is settled out of court.

Mr Norm Fussell, MIM's managing director, said that the group wanted to secure a substantial position in Ernest Henry as part of its basic strategic objective of expanding copper production, especially in its north-west Queensland base.

The Ernest Henry deposit and the highly-prospective Mount Fort Constantine area are close to MIM's Mount Isa base, where the group has extensive mining and copper smelting facilities.

In a separate announcement, MIM said that it would acquire the 13.5 per cent of the Oaky Creek export coking coal join venture that it does not already own from Hoogovens Delfstoffen of The Netherlands and Empresa Nacional Siderurgica of Spain.

Recycling the image of CIS aluminium

Kenneth Gooding talks to the emotional defender of an industry under attack

LIKE MANY Russians, Mr Igor Prokopov can become emotional at times. And he gets noticeably cross when anyone suggests that the Commonwealth of Independent States is entirely responsible for bringing the world's aluminium industry to its knees and to a point where low prices are threatening the existence of many smelters.

Some European producers, for example, blame the unprecedented surge in exports of aluminium from the CIS for driving them to the point of extinction.

But Mr Prokopov, who is president of Concern Aluminiy, the holding company for the CIS industry, points out that aluminium is a world commodity and there is only one market – a world market. The CIS is now an important member of that market and the rest of the industry will have to adjust to that fact, he says.

Japan once was a big aluminium producer, he recalls, but now makes virtually none. The Japanese were forced out of the business in the early 1980s because their costs were too high, particularly their energy costs. Nobody blamed the CIS producers for that, says Mr Prokopov. So why blame them now when other high-cost production in threatened?

Mr Prokopov says most CIS smelters use low-cost hydro-electric power, as do smelters in Latin America and Canada. It is not their fault if smelters in central Europe have to buy energy that is relatively high-cost and that makes them the world's highest-cost producers.

And the CIS has not been increasing its capacity like Canada and central Europe have recently.

Mr Prokopov becomes particularly agitated at suggestions that the CIS is dumping aluminium in the west. How can this be, he asks, when all official CIS contracts are linked to the world price fixed by the London Metal Exchange and most of the export is handled by reputable western trading companies?

Igor Prokopov: Putting a fence between Europe and the CIS would not work.

He is making this spirited defence of his industry because the European Commission is at present considering whether it should impose draconian quotas on CIS aluminium imports to "safeguard" its domestic producers. He says this would make no sense. Putting a fence between Europe and the CIS would not work – the metal would simply enter the world market elsewhere.

Quotas would make even less political sense at a time when the world's industrialised countries were dismantling trade and tariff barriers and providing the CIS with other help for its transformation to a market economy.

Mr Prokopov points out that the CIS uses much of the hard currency raised by aluminium sales to buy raw materials, equipment and spare parts for its smelters and, because each smelter supports a community, food for employees and their families.

Many of these necessities are bought in the European Community, which is not only the nearest big market for aluminium but also the nearest big supplier of such goods.

Last year the CIS industry was allowed by the central authorities to export 650,000 tonnes of aluminium free of duty to raise cash for these necessities. Mr Boris Yeltsin, the Russian president, recently signed a decree to permit 520,000 tonnes to go out duty-free this year.

That is not to suggest CIS total aluminium exports will be cut this year. Both CIS output, at about 3.2m tonnes, and official exports at 850,000 tonnes, will be about the same as in 1992, he says.

But Russia hopes to stem the flow of unlicensed exports from the CIS. Some suggest these reached 400,000 tonnes last year but Mr Prokopov insists they were not that high. Nevertheless, there has been so much unofficial metal available that the London Metal Exchange has become very wary about registering any more brands of CIS aluminium because of worries about ultimate ownership and who is taking responsibility for quality.

Mr Prokopov says virtually none of the unofficial metal is being exported from Russia but is escaping via other members of the federation. Russia is introducing new customs regulations to make it much more difficult for metal to slip out this way.

The CIS industry knows it has an image problem. One of the most telling points put by EC producers is that clean, modern, community capacity is being shut down to make way for imports from heavily-polluting, out-dated CIS smelters.

So the CIS producers last week in Helsinki joined with some of its western suppliers to form a new association to defend and promote the CIS industry's interests.

Mr Prokopov admits it is difficult for his industry to attract the investment to make the smelters less environmentally damaging.

VAW of Germany recently estimated it would cost US$6.6bn to modernise just four of the 14 CIS smelters and most observers believe the CIS simply cannot afford to go that deeply into debt.

One solution which is emerging, however, would be for the CIS to use intermediate technology and upgrade those of its smelters using the old Soederberg production system – ten out of 14 smelters – instead of jumping to the most up-to-date, pre-baked technology.

Mr Vesa Kumpulainen, chief executive of the Kumera Corporation, a Finnish group with many years of experience supplying Russia, suggests that this would cost an affordable total of $600m. His company has put proposals to all of the CIS Soederberg smelters, offering to upgrade them by using well-tried technology developed by Reynolds Metals of the US. Reynolds has converted two of its own Soederberg smelters in the US.

Mr Kumpulainen says the Reynolds' technology not only cuts pollution substantially – for example at one smelter 20 kg of emissions a year would be reduced to only 2 kg – it also saves energy. The present power efficiency of 80 per cent would be raised to 90 per cent. Ironically, because Russia has perhaps the most stringent emission regulations in the world, the smelters would still not meet the rules after upgrading.

Mr Erik Jensen, one of the Reynolds Metals' executives at Helsinki, insists the CIS primary aluminium industry is "tremendously viable". He wishes western bankers would understand it was a unique industry, with very low costs and little or no debt, thus making it very hard for the rest of the world to compete. "It has great technological strength, is well-organised and is producing a commodity that is instantly convertible into cash," he points out.

The CIS industry has the ability to repay debt rapidly, yet western bankers insist on placing conditions on loans that they would not dream of imposing elsewhere in the industry. Anywhere else the smelter would be used as collateral for loans but that is not possible in the CIS. Mr Jensen says this is probably because the question of who owns the smelter remains obscure.

This ownership question is gradually becoming clearer as the industry is privatised. Mr Prokopov says management and employees now own 51 per cent of the Russian smelters with the rest in the hands of the state. But this 49 per cent is being sold at auctions to the public.

Mr Prokopov insists that the difficulties facing foreign investors in the CIS can be overcome. Many western companies, particularly from Italy, are building joint ventures. For example, Fata, the Italian industrial group, and Reynolds are working with a Russian consortium to build a plant to produce 43,000 tonnes a year of aluminium foil – "this will leave more aluminium in Russia," he says: "This is not aid, it is investment. We are convinced both Fata and Reynolds will see satisfactory profits."

Reynolds' Mr Jensen says the joint venture is making only slow progress but his company's philosophy is that as many new downstream products as possible should be encouraged in Russia. "There is," he says, "no better way to help the world aluminium industry."

Bolivian state and private mining groups in joint venture

By Chris Philipsborn in La Paz

A JOINT venture contract has been signed between Comibol, the Bolivian state mining corporation and Comsur, Bolivia's largest private mining company, over the Bolivar polymetallic mine. Comibol further hopes to complete two additional joint venture deals before general elections are held in June.

Comsur will invest $13m in Bolivar and anticipates an initial 30 year exploitation plan. Under the terms of the deal Comibol will take 50 per cent of future profits. Future investment in Bolivar will be Comsur's sole responsibility.

Both parties have guaranteed the jobs of the mine's existing workforce of about 300 and new jobs may also be created. Local miners are said to be broadly in favour of the deal. However, the directorate of the main miners' union, the FSTMB, remains implacably opposed to joint ventures. Union spokesman Mr Victor Baldivieso said it would try to prevent this joint venture and condemned Bolivar workers in favour of the deal.

Mr Jaime Urjel, Comsur's managing director, said the company hoped to take over Bolivar within 45 to 60 days. The mine would then become operational within 15 to 18 months. A new mill – which will be able to deal with 1,000 tonnes of lead/zinc and zinc/silver ore a day – is being built at the site. The plant may process tin in the future.

Comibol executive director Mr Armando Guzman said that while the FSTMB union was clearly opposed to the deal, Bolivar workers themselves would carry the day. He said it was possible that RTZ, the UK-based group, which has close associations with Comsur, would be involved in future funding of Bolivar's operations. The International Finance Corporation will also be involved.

This is the third joint venture contrast to be signed between Comibol and a private mining company since 1991. But operations in the first two remain blocked by union action. Mr Guzman said both these joint ventures would be activated by August this year.

Two further joint venture tenders have been issued by Comibol. The first, for which invitations have yet to be sent, is an exploration venture for alluvial gold deposits in the Pando and Beni Regions. The second, for which invitations were sent out recently, is for the exploration of the Cerro Rico (Rich Hill) in Potosi. A recent study estimated that the hill contained $400m tonnes of silver ore. Mr Guzman estimates there are between 80m and 100m tonnes of silver ore reserves.

● According to figures just released by the Medium Mines Association, Bolivian mining registered negative growth in 1992 of 4.9 per cent, compared with growth in 1991 of 2 per cent. Legal sales and exports of gold fell by 46 per cent. Antimony production was down 34 per cent, wolfram 15 per cent, cadmium 38 per cent, silver 14 per cent and tin 5 per cent.

WORLD COMMODITIES PRICES

MARKET REPORT

PLATINUM closed well below an early eight-month high of $373.50 a troy ounce on the London bullion market. **SILVER** eased and **GOLD** ended only marginally above Friday's close as relative calm at funeral services for slain African National Congress Nationalist Chris Hani eased fears of supply disruptions. While many stayed away from work, the gold and platinum mines were unaffected. Three-month **COPPER** consolidated just above $1,900 a tonne at the close on the LME, while other metals finished easier. Trading was less active as some semblance of stability entered the market after last week's collapse to 5½-year lows of $1,870. But the market was unable to sustain a technical rally towards $1,950. London **COCOA** prices were easier by the close with initial liquidation in the US prompting further sales in London. A lack of significant industry buying was preventing any upturn in the market, dealers said. There were no fresh fundamental influences, and volatility was expected to be limited until the fate of the Ivorian mid-crop became clear next month.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.35-6.43u	+0.08
Brent Blend (dated)	$18.44-8.46	-1.0
Brent Blend (Jun)	$18.82-8.85	+.005
W.T.I (1 pm est)	$20.33-0.38u	
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$207-210	
Gas Oil	$182-184	+0.5
Heavy Fuel Oil	$76-78	+0.5
Naphtha	$179-181	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$339.65	+0.8
Silver (per troy oz)♣	390.0c	-3
Platinum (per troy oz)	$371.65	+2.35
Palladium (per troy oz)	$114.35	+1.6
Copper (US Producer)	93.0c	-1.0
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.15r	-0.08
Tin (New York)	257.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	136.29p	-0.65*
Sheep (live weight)†♠	149.11p	+5.81*
Pigs (live weight)†	88.40p	-2.54*
London daily sugar (raw)	$265.6	+6.4
London daily sugar (white)	$287.0	+1
Tate and Lyle export price	£285.0	+5.5
Barley (English feed)	£145.0u	+0.8
Maize (US No. 3 yellow)	£167.0	
Wheat (US Dark Northern)	Unq	
Rubber (May)♥	56.25p	-0.50
Rubber (Jun)♥	56.75p	-0.50
Rubber (KL RSS No 1 May)	211.5m	
Coconut oil (Philippines)§	$412.5y	+5.0
Palm Oil (Malaysian)§	$390.0u	-7.5
Copra (Philippines)§	$270.0	+10
Soyabeans (US)	£175.5z	
Cotton "A" index	61.75c	+0.4
Wooltops (64s Super)	353p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jun/Jul u-May. z-Apr/May v-Jun ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – London FOX			($ per tonne)	
Raw	**Close**	**Previous**	**High/Low**	
May	-	-	-	
White	**Close**	**Previous**	**High/Low**	
Aug	298.40	291.00	295.00	290.00
Oct	283.10	275.00	283.00	274.00
Dec	282.50		274.50	274.00
May	284.80		281.00	277.50
Aug	288.80		285.00	

Turnover: Raw 0 (0) lots of 50 tonnes. White 881 (1240) Paris- White (FFr per tonne): Aug 1603.47 Oct 1526.62

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Jun	18.83	18.81	18.85	18.71
Jul	18.85	18.82	18.88	18.74
Aug	18.94	18.94	18.95	18.82
Sep	19.00	19.00	19.03	18.90
Oct	19.02	19.01	19.02	18.95
Nov	19.04	19.05	19.04	18.98
Dec	19.05	19.05	19.05	
Jan	19.05	19.06	19.06	
IPE Index	18.86	18.82		

Turnover 12596 (19161)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
May	176.00	176.75	177.00	175.25
Jun	173.25	174.25	174.25	172.75
Jul	173.25	174.00	173.50	173.00
Aug	174.50	175.50	175.00	174.50
Sep	176.75	177.50	176.75	176.50
Oct	179.25	180.00	179.50	179.25
Nov	181.25	182.75	181.00	
Dec	183.25	184.50	183.25	182.75
Jan	182.75		183.00	

Turnover 5641 (7063) lots of 100 tonnes

TEA

Landed demand continued good but selective, reports the Tea Broker's Association. Brightest liquoring East African teas remained fully firm to dearer but all other descriptions were irregular and generally 3 to 5p easier particularly towards the close. Offshore good demand but prices were barely steady. The highest price realised this week was 196p for a Rwanda pf.1. Quotations quality 160p/kg, nom good medium 125p/kg, medium 115p/kg, low medium 90p/kg.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
May	675	693	687	671
Jul	686	706	696	683
Sep	700	718	708	695
Dec	719	737	727	715
Mar	738	756	746	735
May	753	770	756	750
Jul	786		770	770
Mar	826		826	826

Turnover: 5640 (4368) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 16 730.55 (741.95) 10 day average for Apr 19 716.51 (713.68)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
May	878	895	888	873
Jul	859	876	868	854
Sep	858	872	868	854
Nov	868	881	875	865
Jan	875	890	885	874
Mar	884	898	895	884

Turnover:2650 (6063) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 16: Comp. daily 50.59 (51.02) 15 day average 51.15 (51.41)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
May	46.0	43.0	46.0	43.5
Apr	95.0	96.0	96.0	96.0

Turnover 37 (93) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	136.50	-	136.50
Aug	140.00		140.00

Turnover 50 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Apr	1510	1514	1510	1508
May	1489	1476	1490	1485
Jun	1395	1371	1395	1380
Jul	1277	1272	1277	1275
Oct	1385	1380	1385	1380
BFI	1495	1488		

Turnover 172 (256)

GRAINS – London FOX			£/tonne	
Wheat	**Close**	**Previous**	**High/Low**	
May	144.40	144.25	144.50	144.40
Jun	145.50	145.25	145.50	
Sep	107.75		107.75	
Nov	109.90	109.40	109.90	109.75
Jan	113.00	112.40	113.00	112.75
Mar	115.50	115.00	115.50	115.30
May	118.40	117.80	118.40	118.20
Barley	**Close**	**Previous**	**High/Low**	
May	140.25	140.00	140.25	
Nov	109.25		109.25	

Turnover: Wheat 231 (360), Barley 8 (28).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
May	114.0	115.0	114.0	113.5
Jun	110.0	111.0	110.0	110.0

Turnover:12 (31) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 53,833 lots
Cash	1095.5-6.5	1110.5-1.5	1100/1099.5	1099-99.5		
3 months	1118-9	1133-4	1128/1116	1123-23.5	1116-8	161,393 lots
Copper, Grade A (£ per tonne)						Total daily turnover 83,636 lots
Cash	1221-2	1240-1	1232/1231	1231-32		
3 months	1243-3.5	1262-3	1255/1243	1251-52	1244-5	173,087 lots
Lead (£ per tonne)						Total daily turnover 7,245 lots
Cash	272-3	278-7	275.5/272	272-72.5		
3 months	282.5-3.0	285.5-6	286/282	282-83.5	282.5-3.0	20,493 lots
Nickel ($ per tonne)						Total daily turnover 8,677 lots
Cash	5830-5	5870-80	5825	5825-35		
3 months	5895-900	5935-40	5945/5870	5895-900	5910-5	46,364 lots
Tin ($ per tonne)						Total daily turnover 2,010 lots
Cash	5550-60	5665-75	5565/5580	5560-65		
3 months	5610-5	5625-30	5630/5605	5620-25	5605-10	9,326 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 22,625 lots
Cash	997-8	1007-8	1004/1003.5	1003-3.5		
3 months	1016-7	1025.5-6	1026/1017	1023-24	1017.5-18.0	66,279 lots

LME Closing £/$ rate:
SPOT: 1.5395 | 3 months: 1.5299 | 6 months: 1.5185 | 9 months: 1.5088

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	**$ price**	**£ equivalent**
Close	339.50-339.80	
Opening	340.20-340.50	
Morning fix	340.40	222.776
Afternoon fix	339.80	221.363
Day's high	340.90-341.20	
Day's low	339.50-339.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.63	6 months	2.42
2 months	2.56	12 months	2.40
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	260.05	397.50
3 months	263.65	400.45
6 months	267.75	403.85
12 months	275.60	410.40

GOLD COINS	$ price	£ equivalent
Krugerrand	339.50-342.50	221.00-223.00
Maple leaf	349.75-352.00	-
New Sovereign	80.50-83.50	52.00-54.00

TRADED OPTIONS				
Aluminium (99.7%)	**Calls**		**Puts**	
Strike price $ tonne	May	Aug	May	Aug
1075	31	60	3	8
1100	13	43	9	17
1125	4	28	25	27
Copper (Grade A)	**Calls**		**Puts**	
1900	44	95	57	63
1950	26	71	89	110
2000	14	53	126	141
Coffee	**May**	**Jul**	**May**	**Jul**
850	30	41	2	32
900	3	21	25	62
950	2	11	72	102
Cocoa	**May**	**Jul**	**May**	**Jul**
700	5	24	25	36
725	1	16	50	53
750	-	10	75	72
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	42	62	18	33
1900	20	33	43	
1950	5	16		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Apr	340.3	339.0	340.7	339.4
May	340.8	339.5	0	0
Jun	341.6	340.2	342.2	340.7
Aug	342.8	341.5	343.3	341.9
Oct	344.1	342.8	0	0
Dec	345.4	344.1	345.6	344.7
Feb	346.9	345.6	346.8	346.2
Apr	348.3	347.0	348.4	348.4
Jun	349.7	348.4	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	376.2	376.4	385.0	385.0
Jul	371.2	371.4	379.5	368.5
Oct	369.7	369.9	374.0	369.0
Jan	369.0	369.2	375.0	375.0
Apr	368.5	368.7		

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Apr	390.7	392.9	0	0
May	391.0	393.3	398.0	387.0
Jun	392.3	393.6	392.0	392.0
Jul	393.8	395.1	401.0	390.0
Sep	396.4	397.7	403.0	392.0
Dec	400.1	401.4	408.0	397.0
Jan	400.5	401.8	0	0
Mar	404.0	405.3	410.0	401.0
May	406.5	407.8	405.0	405.0
Jul	409.5	410.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	84.15	83.55	84.20	83.80
May	84.30	83.90	85.15	83.65
Jun	84.70	84.30	85.40	84.90
Jul	85.05	84.70	85.90	84.75
Aug	85.40	85.10	85.30	85.25
Sep	85.80	85.50	86.70	85.70
Oct	86.00	85.70	86.30	86.00
Nov	86.35	86.10	86.60	86.60
Dec	86.70	86.55	87.80	86.75
Jan	86.90	86.60	86.00	86.00

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
May	20.10	20.14	20.10	19.95
Jun	20.36	20.36	20.39	20.23
Jul	20.53	20.52	20.53	20.39
Aug	20.57	20.60	20.59	20.49
Sep	20.63	20.65	20.64	20.54
Oct	20.69	20.69	0	0
Nov	20.62	20.70	20.64	20.62
Dec	20.70	20.71	20.70	20.60
Jan	20.64	20.69	0	0
Feb	20.67	20.67	20.67	20.65

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
May	55.60	55.87	55.86	55.40
Jun	55.65	55.76	55.75	55.40
Jul	56.00	55.92	55.96	55.65
Aug	56.45	56.52	56.55	56.20
Sep	57.40	57.60	57.46	57.30
Oct	58.45	58.45	58.45	58.30
Nov	59.40	59.35	59.40	59.10
Dec	60.15	60.21	60.25	60.00
Jan	60.75	60.81	60.80	60.55
Feb	60.40	60.41	60.40	60.40

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
May	883	907	896	870
Jul	913	941	925	901
Sep	940	968	945	930
Dec	976	1004	981	969
Mar	1008	1036	1020	1002
May	1034	1064	1040	1036
Jul	1057	1087	1060	1055
Sep	1079	1109	1082	1080
Dec	1109	1139	1115	1112

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	52.80	53.70	53.25	52.45
Jul	54.50	55.45	55.10	54.25
Sep	56.30	57.30	57.00	0
Dec	59.30	60.00	59.75	59.10
Mar	62.05	62.55	62.25	61.60
May	63.40	64.00	63.95	63.25
Jul	65.00	65.25	65.25	65.00
Sep	66.75	67.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	10.89	10.70	11.04	10.66
Jul	11.56	11.21	11.66	11.22
Oct	11.43	11.07	11.46	11.09
Mar	10.61	10.38	10.69	10.38
May	10.51	10.36	10.61	10.35
Jul	10.55	10.38	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
May	63.43	63.40	63.50	62.40
Jul	63.58	63.58	63.66	62.50
Oct	63.06	63.70	63.45	62.40
Dec	62.20	62.79	62.50	61.65
Mar	63.17	63.66	0	0
May	64.23	64.23	64.23	64.00
Jul	64.40	64.58	64.50	64.50
Oct	64.15	64.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	89.25	92.65	90.25	88.50
Jul	92.35	96.15	93.30	91.15
Sep	95.45	99.20	96.25	95.00
Nov	97.60	101.35	98.25	97.60
Jan	99.50	103.35	101.00	99.00
Mar	101.80	105.75	103.00	101.00
May	101.80	105.75	0	0
Jul	101.80	105.75	0	0
Sep	101.80	105.75	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Apr.19	Apr 16	mnth ago	yr ago
1657.8	1656.2	1766.6	1602.7

DOW JONES (Base: Dec. 31 1974 = 100)				
	Apr.16	Apr 15	mnth ago	yr ago
Spot	124.91	122.20	124.68	118.83
Futures	121.84	120.01	131.48	115.83

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	589/0	586/6	589/0	586/6
Jul	591/2	590/0	592/4	589/4
Aug	593/4	592/4	594/0	591/6
Sep	594/2	593/6	595/0	592/6
Nov	598/6	596/4	599/4	595/4
Jan	605/4	603/0	605/6	603/4
Mar	612/4	609/2	612/4	610/2
May	616/4	613/4	616/4	613/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	21.10	21.24	21.29	21.09
Jul	21.34	21.56	21.57	21.32
Aug	21.44	21.64	21.66	21.44
Sep	21.54	21.74	21.77	21.54
Oct	21.64	21.82	21.80	21.64
Dec	21.86	22.07	22.08	21.87
Jan	21.91	22.11	22.07	21.91
Mar	22.12	22.30	22.25	22.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
May	183.8	183.0	183.8	183.0
Jul	185.2	184.3	185.3	184.3
Aug	186.1	185.1	186.1	185.2
Sep	187.0	186.0	187.0	186.1
Oct	187.4	186.5	187.5	186.6
Dec	189.3	188.5	189.5	188.5
Jan	189.3	188.5	190.2	189.2
Mar	190.6	189.3	190.6	190.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	229/4	227/6	229/0	228/0
Jul	235/0	233/0	235/6	233/6
Sep	240/2	237/6	240/6	238/6
Dec	245/6	243/4	246/4	244/4
Mar	252/4	250/0	252/4	251/0
May	256/0	253/0	256/4	255/0
Jul	259/4	257/0	259/4	258/0
Dec	250/0	248/4	250/4	249/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	361/2	360/0	362/0	359/4
Jul	310/4	310/4	311/0	308/4
Sep	313/6	314/0	314/0	312/0
Dec	323/4	323/0	323/6	321/4
Mar	328/0	328/4	328/0	328/0
Jul	316/6	317/4	318/6	316/6

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	81.550	81.025	81.675	80.850
Jun	75.475	75.000	75.525	74.775
Aug	72.825	72.350	72.850	72.175
Oct	73.850	73.475	73.900	73.375
Dec	74.125	73.825	74.200	73.750
Feb	73.500	73.150	73.725	73.400
Apr	74.700	74.500	74.700	74.500

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	46.100	46.375	46.175	45.800
Jun	52.225	52.000	52.250	51.150
Jul	51.125	51.050	51.200	50.200
Aug	48.750	48.325	48.800	47.900
Oct	43.200	43.025	43.350	42.500
Dec	44.350	44.325	44.450	44.000
Feb	44.550	44.500	44.550	44.150
Apr	43.500	43.600	43.500	43.150

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	47.175	49.175	47.600	47.175
Jul	48.100	50.100	48.500	48.100
Aug	45.600	47.450	46.000	45.450
Feb	42.050	42.550	42.600	41.725
Mar	41.275	41.400	0	41.200

Early market surge runs out of steam

By Steve Thompson

A PROMISING start to the new three-week trading account in London, triggered mainly by Wall Street's surge to an all-time peak on Friday and hopes that this week could bring lower German interest rates, was largely eroded as the Footsie future retreated after a disappointing opening on Wall Street yesterday.

Earlier, London dealers were surprised at the level of early buying interest in the equity market. Wall Street's move to a closing record level last Friday was said to have prompted a flurry of early buying interest in London, driving the FT-SE 100 Index up from an initially easier opening of 2,822.8 to the day's high point of 2,844.2, a net rise of almost 20 points, just before midday. A large number of stocks going ex-dividend accounted for 4.6 points off the index.

Dealers said the early buying was triggered by a number of broking houses adopting a more optimistic attitude on UK recovery trends, leading to a series of earnings upgrades in the leading stocks. An easing in French interest rates was also seen as another bullish angle for London, with markets across Europe still hopeful that the French move could be followed by a reduction in German rates after the Bundesbank meeting this Thursday.

After reaching the day's peak, however, the market began to drift, with activity slowing appreciably in the run-up to Wall Street's opening, which saw the Dow Industrial Average down more than 16 points as London closed.

The disappointing showing by New York quickly impacted on London, where the FT-SE 100 gradually came off to finish a net 5.6 up at 2,830.0. The 100 index just managed to maintain its recent outperformance of the FT-SE Mid 250 Index, which closed a net 2.1 ahead at 3,074.4, having moved in a narrow range throughout a generally quiet session.

Dealers said turnover in the market was disappointing, with 463m shares traded, made up of 185m of Footsie stocks and 278m non-Footsie stocks. Dealers continued to take heart, however, from the consistently high level of customer business in the market.

Last Friday, the final day of the three-week Easter account and a session badly affected by the nation-wide railway strike, attracted customer business worth £1.19bn.

So far this year there have been only a handful of trading sessions during which the value of retail, or customer, business has fallen below £1bn.

Senior marketmakers, worried by last week's bad news on inflation, were relieved at the market's performance yesterday. A trader commented: "The market still feels very jittery but has been helped by perceptions that European rates could come down."

Around the various sectors, the banks stood out with good gains as one of the leading US investment banks voiced its enthusiasm on National Westminster shares.

Leading retailers were generally well supported, notably Boots, but the oil majors looked to have run out of steam as some US analysts were said to have decided that BP and Shell had risen far enough.

ICI received a choppy ride in the market, with some industry analysts taking the view that the hiving off of the Zeneca drugs business may prove more disappointing than previously thought. Bid rumours, however, continued to surround Lucas Industries.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group	17,000	68½	+2½	Courtaulds	465	560	+2	Lonrho	1,000	89½		Shell Transport	1,700	583	-½
Abbey National	1,200	378	+6	Dalgety	122	430	-2	Lucas	2,000	135	+7	Siebe	298	487	
Albert Fisher	444	69	+1	De La Rue	121	689	+1	MB Caradon	408	305	+4	Slough Ests	224	165	-1
Allied-Lyons	800	550	-1	Dixons	4,200	198	+3½	MEPC	450	388	+1	Smith (WH) A	158	422	+4
Amstrad	[illegible]	35	+1½	Eastern Elect.	576	472	+6	Manweb	683	535		Smith & Nephew	1,300	144	-½
Anglian Water	601	510	+5	East Midland Elec.	930	490	+8	Marks & Spencer	2,000	352	+3	SmKl Beecham	1,000	432	+1½
Argos	359	308	+6	Eng China Clays	343	439	+7	Midlands Elect.	248	489	+11	SmKl Beecham Uts	1,800	378	+11
Argyll Group	2,100	[illegible]	[illegible]	Enterprise Oil	893	500	+6	Morrison (Wm)	992	154	+1	Smiths Inds.	149	335	
Arjo Wiggins	308	181		Eurotunnel Units	364	440	-20	NFC	1,000	249	+3½	Southern Elect.	538	468	+6
Ass. Brit. Foods	1,500	479	-16	FKI	818	130		NatWest Bank	4,800	461	+6	South Wales Elect.	363	534	+3
Ass. Brit. Ports	459	382		Fisons	1,000	157	-1½	National Power	295	343	+1½	South West Water	151	528	+5
BAA	1,800	768	-7	Foreign & Col. I.T.	581	222½		Next	737	183	+½	South West. Elect.	115	[illegible]	+6
BAT Inds.	1,400	901	+6	Forte	3,200	192	+1½	North West Water	[illegible]	498	+7	Southern Water	80	517	+3
BET	1,000	94	+2	Gen. Accident	709	577	+4	Northern Elect.	532	522	+8	Standard Chard.	1,300	723	+16
BICC	437	344	-1	General Elect.	3,900	315	-5	Northern Foods	1,700	262	+1	Storehouse	516	197	
BOC	786	712	+18	Glaxo	3,700	503	+8	Norweb	38	518	+10	Sun Alliance	881	329	+1
BP	4,800	303½	-1½	Glynwed Int.	18	289		Pearson	584	413	-7	T&N	521	172	+1½
BPB Inds.	422	211		Granada	1,100	394	+4	P & O	958	556	+6	TI Group	1,600	395	-6
BT	7,800	418	+7	Grand Met.	1,900	425	-6	Pilkington	1,200	120		TSB	2,800	180	+2
BTR	3,600	613	+6	GUS A	293	1583	+10	PowerGen	1,300	349	+1½	Tarmac	1,600	135	+1
Bank of Scotland	3,800	125½	+3½	GRE	512	179		Prudential	817	[illegible]	-2	Tate & Lyle	1,500	415	-6
Barclays	3,500	414	+6	GKN	1,200	464	-1	RMC	394	549	+11½	Taylor Woodrow	1,500	88½	-½
Bass	576	581	-1	Guinness	2,500	482	+7½	RTZ	808	650	+2½	Tesco	8,200	220	+1
Berisford Int.	0	128		HSBC (75p shs)	879	629	-2	Racal	1,100	212		Thames Water	1,100	519	+6
Blue Circle	3,100	237	+3½	Hammerson 'A'	447	320	-8	Rank Org.	407	[illegible]	+6	Thorn EMI	924	891½	+18½
Booker	230	384	-2	Hanson	5,400	233½	-¼	Reckitt & Colman	192	592		Tomkins	3,400	244	-5
Boots	2,800	475	+4	Hanson Warrants	705	24½	-¼	Redland	1,200	436	-2½	Trafalgar House	3,900	87	+3½
Bowater	780	492		Harrisons Crosfield	337	165	+½	Reed Intl.	1,000	679	-5	Unigate	224	349	-2
Brit. Aerospace	3,500	288	+14	Hillsdown	3,900	151	+½	Rentokil	233	214		Unilever	616	1123	+6
British Airways	1,100	335		IMI	681	280	+3	Reuters	1,100	1285	-12	United Biscuits	1,400	390	+1
British Gas	4,200	308	+½	ICI	2,400	1182	-8	Rolls Royce	1,900	725	+2	Utd. Newspapers	297	580	+7
British Land	152	260	+1	Inchcape	863	605	+9½	Rothmans	113	629	+5	Vodafone	3,400	390	+7
British Steel	10,000	95½	+1	Johnson Matthey	31	489		Ryl Bk Scotland	1,100	357	+3	Warburg (SG)	284	696	-6
Bunzl	1,000	127		Kingfisher	257	587	+1	Royal Insurance	2,100	309	+4	Wellcome	610	702	-22
Burmah Castrol	284	716	-2½	Kwik Save	212	730	+8	Saatchi	76	172	+1	Welsh Water	488	576	+6
Burton	2,200	79½	+1	Ladbroke	1,100	171	+½	Sainsbury	1,100	486	-6	Wessex Water	148	613	+3
Cable & Wire.	322	738	-1	Land Securities	295	636	+1	Scottish & New.	388	480	-7	Whitbread 'A'	649	452	-5
Cadbury Schweppes	1,300	472	-7	Laporte	180	680	+6	Scot. Hydro-Elect.	434	308	+1	Williams Hldgs.	1,800	317	+2½
Calor Group	31	255		Legal & General	612	455	+8	Scottish Power	860	314½	-1	Willis Corroon	167	185	-7
Carlton Comms.	885	737	-4	Lloyds Abbey	1,800	418	+12	Sears	2,500	102	+½	Wimpey	781	154	-2
Coats Viyella	885	249	+3	Lloyds Bank	4,500	525	-1	Sedgwick	303	184	+1	Wolseley	108	686	-1
Comm. Union	532	620	-2	LASMO	1,300	146	+1½	Seeboard	400	601	+6	Yorkshire Elec.	88	522	+5
Cookson	70	203		London Elect.	220	476	+6	Severn Trent Water	1,000	486	+5	Yorkshire Water	430	581	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
[illegible]	Apr 19	May 10
Option Declarations:		
Apr 15	May 6	May 20
Last Dealings:		
Apr 16	May 7	May 21
Account Day:		
Apr 26	May 17	Jun 1

*New time dealings may take place from 8.30am two business days earlier.

Break-up worries hit ICI

SHARES in ICI languished at the start of the new trading account after the bear case for the group's proposed split was widely publicised in the Sunday press.

Analysts who are not gagged by their participation in the impending £1.3bn rights issue have been arguing that the break-up value of the company is between 960p and £10. The estimates are steadily approaching the ground-breaking and pessimistic analysis by Smith New Court last November. Even some analysts involved in the cash call have apparently been voicing their concern privately.

As a result, said one observer: "Fund managers are creeping in with increasingly cold feet." Everything hinges on the attitude in the US and, at a time when swingeing reforms are overhanging the pharmaceuticals industry, US investors are unlikely to be euphoric about Zeneca, the pharmaceuticals arm.

Others argue that the huge fund-raising exercise will be acclaimed as a success in the same way that Wellcome's giant flotation last year was heralded in spite of sharp share price falls. They say institutions are unlikely to turn down the benefits of the discounted shares but may take them only to sell Zeneca stock soon afterwards.

Yesterday, ICI shares were down 15 at worst and closed a net 8 easier at 1182p. The ADS US equivalents were also lower. Meanwhile, Wellcome shares were sharply weaker, falling 22 to 702p in spite of an announcement that Prudential had increased its stake to 4 per cent. The slide was prompted by a large overhang of stock washing around the market.

Food retailers lift

There were signs that the clouds might be lifting over the food retailers as two leading securities houses turned more positive, although the shares remained largely unmoved in lethargic trading.

Since the new year, the sector has been worried by a combination of price war fears, the erosion of margins and the arrival of US-style discounters. Brokers have responded by advising investors to go underweight.

Yesterday, NatWest Securities turned positive, arguing that "the sector is capable of growing earnings by at least 14 per cent per annum for the next two years." The threat of the discounters was dismissed as "overdone", while the large financial commitments of the majors was likely to keep price competition fears in check.

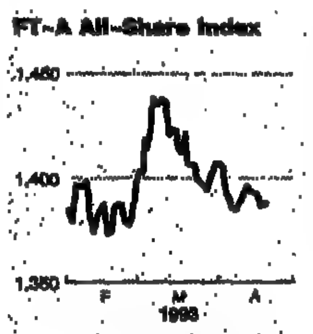
S.G. Warburg also took the opportunity to respond to the recent weakness in the shares and Friday's retail price data, underlining its positive short-term stance on the sector. Both houses recommend Argyll Group, whose shares faded after an initial spurt to close a penny down at 338p. NatWest also upgraded its profits estimate for the group by £10m to £553m for 1994-95. Asda was also on the NatWest buy list, with Kleinwort Benson also said to be positive yesterday. The shares gained 3¼ at 68¼p.

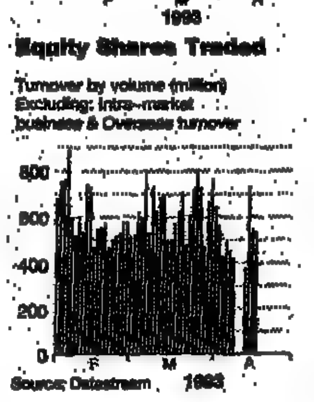
NatWest upgraded

Growing confidence that the economy is reviving prompted one investment bank to raise its already high forecasts for National Westminster Bank. The move sent the shares up 9 at best before they were brought back with the market. They closed 6 better at 461p on turnover of 4.9m, heavy relative to yesterday's general trading levels.

Morgan Stanley, the US bank, raised its 1993 profit estimate by £45m to £915m and re-emphasised its bullish stance. Banking analyst Mr Nick Collier said: "We had already forecast quite heavy provisions and, with the growing sense of economic recovery and the number of new problems slowing down, we feel the debt is going to be slightly better than anticipated."

The improved optimism spilled over into Barclays, which is more burdened with heavy high profile debts but also poised to benefit from economic upturn, especially in the hard-hit property area. Barclays shares gained 6 to 414p.





Cadbury rights fears

Fears of a rights issue returned to haunt Cadbury-Schweppes after the food group told an analysts meeting that it continued to look for acquisitions in Europe. The remarks, which came at a conference on the company's confectionary strategy, upset a nervous market and the shares tumbled 7 to 472p in an average 1.3m.

Shares in Channel tunnel operator Eurotunnel gave up 20 to 440p after the company once again pushed back the opening date, pinpointing continued disagreements with constructor TML, and the need to raise additional revenue.

One analyst said simply: "It's best to be out of this stock. Its always been a high risk project and it will continue to be." But Mr Clive Anderson at Smith New Court was less bearish saying: "There is no new negative that has appeared today. Investors have seen far worse in terms of uncertainty."

Eurotunnel is on the reserve list for entrants into the FT-SE 100 index. Some dealers are sceptical it will be included when the steering committee decides in June.

Engineering group Vickers was boosted by a recommendation from Robert Fleming published at the end of last week. The shares firmed 3 to 135p. British Aerospace jumped 14 to 288p, after a strong recommendation from long term bull Henderson Crosthwaite was reported in the weekend press. The broker now believes the company has a break-up value of 600p, against its previous forecast of 450p. Sentiment was further boosted by a belief that BAe was about to clinch an order for Hawk aircraft from Indonesia.

In the motors sector, strong bid speculation returned to Lucas Industries, sending the shares sharply ahead in spite of going ex-dividend. They closed at 135p xd, on volume of 1.6m and strong activity in the traded options. International conglomerate BTR, which has been holding presentations in the City, was once again named as the most likely predator. The word is that should BTR decide against a bid for Lucas, it still intends to make an acquisition in the near future. The shares finished 6 up at 613p on volume of 3.6m.

Further speculation over possible rights issues in the property sector was raised by Smith New Court, fuelling more talk of the recovery said to be under way in the maligned sector. Smith says the issue will be made to "stabilise overgeared companies and to make acquisitions," with British Land, MEPC and Hammerson the most likely to tap the market. The broker predicts that cash calls in the next 18 months will raise around £1.3bn. Hammerson, which reports results today, dropped 9 to 320p amid dividend worries. MEPC added a penny to 388p, while British Land gained a penny to 260p.

Disappointing results from Associated British Foods hit the shares badly, making it the worst performing stock in the FT-SE 100. The shares declined 16 to 479p. Sector specialists said that the shares would continue weak until a restructuring of the bakery business.

A cautious note from Kleinwort Benson, together with profit-taking, was said to have weakened Tate & Lyle, off 6 at 415p. Geest retreated 8 to 440p as some in the market felt it lessened the chance of a bid following weekend reports over US interest in Fyffes.

Surprise Sunday newspaper stories that Saatchi & Saatchi was poised to bid for Lord Stevens' United Newspapers were dismissed. One analyst said a company with enough problems of its own bidding for a group that had twice its capitalised value would be "Eighties-style lunacy". The rise in United shares, by 7 to 580p, was generally attributed to broker enthusiasm while Saatchi's gain of a penny to 172p suggested that, even without United's denial of the story, the market gave it little credence.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 23

FINANCIAL TIMES EQUITY INDICES

	April 19	April 16	April 15	April 14	April 13	Year ago	* High	* Low
Ordinary share	2208.6	2202.4	2206.8	2199.2	2196.3	2059.2	2299.5	2124.7
Ord. div yield	4.18	4.19	[illegible]	4.21	4.50	4.43	4.52	4.16
Earning yld % full	6.30	6.32	6.30	6.31	6.31	6.35	6.35	[illegible]
P/E ratio net	19.71	19.64	19.71	19.67	19.68	19.85	22.01	19.57
P/E ratio nil	18.41	[illegible]	18.41	18.37	18.38	18.51	20.30	18.25
Gold Mines	112.1	[illegible]	109.6	111.5	113.5	111.9	134.5	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2196.2	2203.1	2210.8	2216.0	2217.0	2214.8	2212.0	2213.4	2209.8	2217.3	2196.2

Volume	April 19	April 16	April 15	April 14	April 13	Year ago
SEAQ Bargains	28,287	32,516	30,362	26,830	28,120	45,598
Equity Turnover(£m)†	-	1192.2	1298.3	1414.7	1026.4	1771.8
Equity Bargains†	-	37,858	32,235	31,169	32,076	51,819
Shares traded (ml)†	-	539.4	547.9	738.3	380.0	770.3

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (105).
OTHER FIXED INTEREST (1) N'wide Anglia 3⅝pc IL '21, AMERICANS (4) Ford Motor, Gen. Elect., Rockwell, Southwestern Bell, CANADIANS (2) Can. Pacific, Hawker Siddley Can., BANKS (1) Anglo Irish, BREWERS (1) Kirin, BLDG MATLS (1) CRH, BUSINESS SERVS (1) Capita, CONGLOMERATES (1) Grampian, CONTG & CONSTRCN (6) Berkeley, Green (E), Kalima, Sherill, Wimpey, ELECTRICALS (1) Oxford Instrs., ELECTRONICS (7) Bowthorpe, Control Techs., Eurotherm, Gresham, Kewill, Redomec, TDS, ENG AERO (1) Westland, ENG GEN (1) Hall, FOOD MANUF (3) Avonmore, Barr, Bols Wessanen, FOOD RETAILING (1) Fitzwilton, HEALTH & HSEHOLD (1) Greenacre, HOTELS & LEIS (2) Ryan, Vardon, INSCE BROKERS (1) Berry Birch, INSCE COMPOSITE (1) USF & G, INV TRUSTS (16) Abtrust New Dawn Wts., Do B Wts., Abtrust New Thai Wts., Drayton Korea, Do Wts., First Ireland, Fulcrum Zero Pf., Govett Amer. Endeavour, Henderson Strata, River & Merc. Geared Pf., Siam Selective Gwth., Do Wts., Sth. America Wts., Sth. East Asian Wts., Turkey Tst., Do Wts., MEDIA (6) Aegis, Johnston Press, Mirror, News Intl., Quarto, Ulster TV, MERCHANT BANKS (1) Warburg 6pc Pf., MTL & MTL FORMING (1) Utd. Inds., MISC (1) Excalibur, MOTORS (3) Henlys, Jessups, Volkswagen, OIL & GAS (7) Exxon, Fairhaven, Gulfstream Res., Petrofina, Total, Tullow, Woodside, OTHER FINCL (10) Gerrard & Natl., Govett, Ivory & Sime, Lon. Scot., Oceana, Perpetual, Provident Fincl., Sefro Pacific, Tyndall Aust., Do Options, OTHER INDLS (3) BTR Wts. '94-95, Do Wts. '95-96, Norcros, PACKG, PAPER & PRINTG (4) Repola, Shelton, Waco, Do 8pc Pf., PROP (10) Asda Prop., Bradford, Chesterfield 5¼pc Pf., Daejan, English & O'seas., Five Oaks, Green Prop., Lon. & Assoc., Merivale Moore, Regalian, TEXTS (2) Coats Viyella, Shani, TRANSPORT (1) LOF's, MINES (4) Kenmore, Monarch, Do Cv. '93, Southvaal.
NEW LOWS (64).
BRITISH FUNDS (9) Tr. 12¼pc '93, Tr 13¾pc '93, Tr 8½pc '94, Ex. 13½pc '94, Tr. 10pc '94, Tr. 12pc '95, Tr. 12¾pc '95, Tr 15¼pc '96, Tr. 8pc '13, AMERICANS (4) Amdahl, Decora Inds., Gillette, Unilab, BREWERS (2) Greenalls 5.95p Pf., Macallan-Glenlivet, CHEMS (3) Allied Colloids, Leigh, ELECTRONICS (1) Pacer Systems, ENG GEN (3) Barry Wehmiller, Fife Idmar, Prospect, FOOD MANUF (2) Booker, Dalgety, FOOD RETAILING (2) Low, Tesco, HEALTH & HSEHOLD (7) Bespak, Creighton, Fisons, Reckitt & Colman, Scholl, Smith & Nephew, UniChem, HOTELS & LEIS (2) Millwall, Wembley, INSCE BROKERS (2) Heath, Sturge, INV TRUSTS (2) Gartmore Scot. Units, SPLIT Inc., MEDIA (2) Allied Radio, Reuters, MISC (6) Apld. Holographics, Cornwell Parker, Le Creuset, Pentland, Ricardo, UDO, MOTORS (1) BSG, OIL & GAS (1) Sidlaw, OTHER INDLS (1) Williams, PACKG, PAPER & PRINTG (1) SCA, PROP (1) Herring Baker, STORES (4) Mallett, Oriflame, Reject Shop, T & S Stores, TELE NETWORKS (2) Cable & Wireless, Securicor N/V, Security Servs., TEXTS (4) Beckman, Campari, Hewitt, Lyles, SOUTH AFRICANS (1) Tiger Oats.

EQUITY FUTURES AND OPTIONS TRADING

THE FRENCH move to lower interest rates, together with Friday's strong performance on Wall Street, led to an early advance in stock index futures, although it had faded by the close, writes Joel Kibazo.

Having opened strongly at 2,841, on the first day of the new account, the June futures contract on the FT-SE 100 Index saw buyers from the outset. The buying was encouraged by the French moves, and by 11.30am the contract was trading at the session's high of 2,858.

However, with 2,855 seen by many dealers as a resistance level, traders decided that the early advance had gone far enough and that profit-taking was now in order, which led to a retreat for the June contract.

A further decline was seen during the afternoon, more to do with a lack of buyers than outright selling, and a poor opening for Wall Street weakened sentiment further.

June closed at 2,845, up 13 from Friday's close and around 8 points above its estimated fair value premium to cash which falls to about 8 on this account. Turnover was unexciting at 6,277 lots.

Volume in the traded options remained poor, reaching only 23,576 contracts. A large part of the total was in the index options, the FT-SE 100 option trading 8,996 contracts and the Euro FT-SE 2,411. Bid speculation made Lucas Industries the busiest stock option at 1,484 lots.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2830.0 +5.6	3074.4 +2.1	1387.43 +1.36

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

AMERICANS

Notes	Price £	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	16½xd	–⅛	20⅞	15⅛	13,889	2.8
Allegheny & W ♥	528p	+7	571p	398p	274.4	3.9
Amdahl	375p	–21	591p	375p	421.1	1.8
Amer Cyanamid	33⅝	+⅞	38⅝	31¼	2,998	3.4
Amer Express	18⅞xd	+¼	19½	14⅞	9,052	3.7
Amer T & T	39¼xd	+⅜	40⅞	33⅞	62,198	2.3
Ameritech	52⅛	+1⅞	52¼	46	22,822	4.9
BankAmerica	33⅛xd	+⅛	36⅛	28⅞	12,102	2.7
Bankers NY	50⅞xd	+1⅛	51⅞	42⅝	4,088	4.2
Bell Atlantic	36⅝	+⅝	38⅛	32¼	16,422	5.2
BellSouth	38⅞	+1⅛	38⅞	33½	18,218	5.2
Bethlehem Steel ♥	11xd	----	13¼	10	895.4	-
Bowater	1483pxd	+37	1682p	1335p	537.4	1.9
CPC	27½xd	----	34⅝	27¼	4,165	3.2
Cadiz Land Inc ♥	73p	+3	115p	70p	-	-
California Engy	1383p	+21	1479p	1086p	253.6	-
Chase Manhattan	24⅛xd	+⅞	24½	17⅞	3,785	3.4
Chrysler	26⅝xd	+⅛	28⅞	21¼	8,382	1.4
Citicorp	19⅝xd	+⅛	20⅛	13⅛	7,174	-
Colgate-Palm	36⅝xd	–1⅛	45⅝	35¼	6,167	2.2
Cont'l Bank	1719p	–63	1677p	1270p	1,737	2.4
Dana	31¼xd	----	34⅞	29⅛	1,435	3.5
Data General	684p	–27	891p	681p	188.7	-
Decora Inds ♥	122p	–4	146p	122p	-	-
Dun & Brad	38¼	–⅛	42⅞	37¼	6,815	4.1
Eaton	59	+2	59⅝	50⅝	2,045	2.6
Echlin	18¼xd	+⅛	18⅞	15⅛	960.8	2.9
FPL	25xd	+⅛	27⅞	23¼	4,541	6.8
Ford Motor	36⅛	+⅝	36⅞	28⅞	17,682	1.9
Gen Elect	62⅞xd	+⅛	62⅞	53⅞	53,217	2.8
General Host ♥	660p	–8	723p	573p	-	4.1
Gillette	32⅛xd	–3	42⅝	32⅛	7,059	1.5
Hasbro	20⅞	----	20⅞	20⅞	1,816	0.8
Honeywell	22xd	+⅛	24⅞	20⅛	3,007	2.8
Houston Inds	31⅛	+⅛	33⅛	29¼	4,063	6.6
IBM	32	----	39⅛	29⅝	18,258	4.6
Ingersoll-Rand	20⅝xd	+⅛	25	19⅛	2,154	2.3
Lockheed	42	+¼	42⅝	35⅛	2,577	3.5
Lowe's h	1980p	–72	2339p	1573p	1,444	1.0
Merrill Lynch	49⅞xd	+⅛	50⅛	37	5,125	1.7
Morgan (JP)	48½xd	+1⅞	48½	38¼	9,260	3.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Tarmac	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tilon	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Travis Perkins	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tudor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unigroup	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Waterhouse	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wickes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

	Notes	Price	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
BT	♣†□	418	+7	445½	376	25,853	4.3	15.6
Cable & Wire	†□	728	–1	760	689	7,906	2.3	22.5
7pc Cv Ln '08		£177½	–1	£180½	£175½	556.0	3.9	–
GN Gt Nordic		£39½	——	£39½	£31⅞	134.7	2.7	–
Hawthorn Leslie	♣♦□	1½	——	4	1½	2.85	–	–
Nth Telecom $		£22¼	–¼	£31⅛	£22½	5,623	1.1	–
Securicor	♣	929	——	990	928	38.6	0.4	35.3
A N/V	□	589	–2	688	580	469.2	0.6	Φ
Security Servs	□	480	–2	565	[illegible]	[illegible]	1.3	23.7
Vodafone	†s□	386	+7	434	370	3,893	1.9	18.9

TEXTILES

	Notes	Price	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Albion		82	——	85	71	3.08	4.6	5.9
Alexandra Work	□	127	+1	133	113	42.8	3.8	Φ
Allied Textile		465	——	465	408	132.5	3.4	14.8
Atkins		115	——	131	107	4.31	8.3	–
Baird (Wm)	□	247	——	288	241	277.9	4.5	Φ
Beckman A	‡	54xd	–1	69	54	6.80	‡	10.7
Bril Mohair		155	——	165	[illegible]	20.6	6.9	Φ

MINES - Cont.

	Notes	Price	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
O.F.S.							
Beatrix		161	——	210	150	[illegible]	9.9
FS Cons		473	+6	574	292	564.4	11.3
Free State Dev		15	——	25	8	3.33	–
Harmony	‡	285	–5	245	78	55.1	‡
Joel (H.J)		20	——	22	14	18.6	–
Loraine		39	+2	48	13	6.38	–
St Helena		342	+6	388	191	32.9	7.8
Unisel		117	–4	141	58	32.8	2.9
Diamond and Platinum							
Anglo Am Inv		£10⅝	——	£10¾	£8	1,082	8.0
De Beers Lkd Uts		£10⅛	–¼	£11½	£7⅝	3,849	5.2
40pc Pf		392	——	375	300	2.80	12.9
Impala Plat	♣‡	673	——	783	[illegible]	418.6	‡
Lydenburg	‡	628	——	725	620	98.2	‡
Northam Plat		282	–1	251	199	116.4	–
Rustenburg		£8½	——	£10¾	£8½	1,065	5.9
Central African							
Wankie Col Z$		18	——	12	10	2.53	15.7
Willoughby's		80	——	88	71	2.92	3.3
Pfd		21	——	25	18	1.39	13.4

METALS & METAL FORMING

PROPERTY

MISCELLANEOUS

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

MEDIA

OTHER INDUSTRIALS

WATER

SOUTH AFRICANS

STORES

MOTORS

PLANTATIONS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT9660. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (●) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5866						
Income	5	388.35	388.35	411.01	+3.02	4.29
Global Inc	5	57.87	57.87	61.38	+0.02	4.29
Brit Leaders	5	307.97	307.97	327.63	+0.78	3.15
Intl Leaders	5	183.53	183.53	195.24	+1.14	0.67
[illegible]	3½	52.73	54.02	56.12	-0.12	2.83
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	52.01	52.78	56.13	-0.03	1.23
Far Eastern Tst	6	56.60	59.86	63.47	+0.08	0.08
Smaller Cos	5	146.3	150.3	159.9	+0.7	1.86
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	258.6	257.2	272.2	+0.50	0.71
S & W Capital	5	116.2	116.2	124.4	-0.10	1.83
S & W Cash	0	100.37	100.37xd	100.37	+0.01	5.42
S & W European	5	113.4	113.5	120.0	+0.40	1.27
S & W Far Eastern	5	138.5	138.9xd	144.8	+1.70	0.00
S & W Growth	5	125.4	127.0	134.3	+0.10	1.33
S & W Income	5	110.4	111.8xd	118.1	-0.70	4.57
S & W Magnum	5	122.9	122.9	131.7	-0.10	1.87
S & W Smlr Secs	5	301.7	308.2xd	326.1	+0.10	0.78
S & W Thoroughbred	5	142.1	142.1xd	152.3	-0.80	1.64
Societe Generale Touche Remnant (1200)F						
3 Finsbury Ave, EC2M 2PA 071-410 4029						
American Gwth	5¼	79.77	79.77xd	85.31	+0.05	0
Eur Sp Sits Acc	5¼	46.88	46.88	49.84	+0.14	0
Eur Sp Sits Inc	5¼	44.27	44.27xd	47.07	+0.13	0
Far East Opps Inc	5¼	29.58	29.58	31.84	+0.11	0
Far East Opps Acc	5¼	30.40	30.40	32.72	+0.12	0
General Growth	5¼	98.89	98.89	103.80	+0.80	2.04
General Growth Acc	5¼	99.15	99.15	106.20	+0.50	2.03
Global Tech	5¼	108.80	108.80	117.70	—	0
Income Growth	5¼	99.00	99.00	106.50	-1.20	3.51

	Bid Price	Offer Price	+ or -	Yield Gross
James Capel Fund Managers Ltd				
European Exempt	£110.54	111.577	+0.265	2.81
Japanese Exempt	£135.694	137.958	+0.187	0.72
Managed Exempt	£129.052	137.151	+0.382	3.13
North American Exempt	£101.485	103.376	-0.250	1.18
Pacific Exempt	£114.500	116.855	+0.323	2.97
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Mar 31	605.20	612.50	—	4.72
Fxd Int Sec Feb 28	155.75	156.50	—	9.28
Deposit Fund: See Money Market Trust Funds				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	178.3	178.4	-0.90	8.19
Charinco Acc	1058	1070	-5.00	8.19
Charishare Inc	188.1	192.2	+0.20	4.16
Charishare Acc	245.1	250.4	+0.20	4.16
CAFINVEST-Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	88.56	88.28	+0.08	3.88
Income	80.62	81.72	-0.30	7.13
COIF-Charities Official Inv Fd‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income Mar 31	590.09	597.49	—	5.00
Accum Mar 31	2331.88	2337.62	—	-
Fixed Int Income Mar 31	127.00	127.01	—	9.13
Fixed Int Accum Mar 31	187.75	187.79	—	-
Deposit Account: See Money Market Trust Funds				
Charity Fixed Int Fd/Charity Equity Fd				
33 Gutter Lane EC2V 8AS 071-382 8000 (Gen Enquiries) 071-382 1919 (Dealing)				
Charity Equity Inc	116.72	119.43xd	+0.82	3.70
Charity Equity Acc	127.37	134.13xd	+0.86	3.70
Charity Fixed Int Inc	104.46	105.62xd	-0.19	8.70
Charity Fixed Int Acc	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

Prosperity Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Royal Heritage Life Assurance Ltd - Contd.

Scottish Widows' Group - Contd.

Skandia Life Assurance Co Ltd

Target Life Assurance Co Ltd

Eurolife Assurance Group

Finesco International Ltd

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

United Financial Corporation Ltd

Rothschild Asset Management (CI) Ltd

Singer & Friedlander Investment Funds Ltd

Swiss Life Investment Fund

IRELAND (REGULATED)(**)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

ISLE OF MAN (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen remains strong in Europe

THE YEN remained very strong in European trading yesterday after earlier reaching a new historic high against the dollar in Far Eastern markets, *writes James Blitz.*

The Japanese currency's value against the dollar soared by some 1.5 per cent in Monday's Tokyo trading, after President Bill Clinton said at the weekend that the yen's appreciation was helping to curb the *US/Japanese trade imbalance.*

Both the Japanese prime minister and finance minister tried to cool the yen's advance with comments throughout the day, and the Bank of Japan intervened on foreign exchange markets by buying the dollar.

However, the absence of any intervention from the US Federal Reserve helped to underline that there was no co-ordination from the Group of Seven leading industrial countries to stop the yen appreciating.

After peaking at a new record high in Tokyo trading, the Japanese currency opened even stronger in London at Y110.70. It later closed in London at Y111.00, some Y1.6 up on Friday's London close.

In the last two months, the yen has rallied from around Y124.00 against the dollar and few dealers saw much chance of a strong retracement in the next few days.

Mr Steve Hannah of IBJ International in London, said: "There is feeling now that a strengthening yen reflects the weakest line of political resistance in Japan and the US."

In his view, the Miyazawa government will acquiesce to a strong yen because of the fear of US imposition of tariffs on Japanese exports. At the same time, the Clinton administration is unlikely to intervene to support the dollar because of the need to get the Japanese trade surplus down.

Both the US and Japan might re-think their positions if the yen's rise hurts Japanese exports and damages the economy. "If, like the US, you are trying to get greater access to a market, the worst thing that can happen is that the market in question starts to weaken," said Mr Hannah.

European trading was otherwise dominated by the slight weakening of the D-Mark against most currencies.

The Bank of France's decision to cut its intervention rate for the first time in five months concentrated expectations that the Bundesbank will, in turn, ease policy this week. It also underlined the market's confidence in the new French administration: the French franc *closed at FFr3.378* to the D-Mark from a previous FFr3.379.

However, Miss Alison Cottrell of Midland Global Markets in London, the Bundesbank is unlikely to reduce its official rates this week because the repo rate level is so far above that of the discount rate. She also believes that the market should be wary of the forthcoming consumer price data in Germany. "A higher inflation figure might force the market to retrace," she said.

£ IN NEW YORK

Apr.19	Latest	Previous Close
£ Spot	1.5385 - 1.5395	1.5245 - 1.5255
1 month	0.37 - 0.36pm	0.36 - 0.35pm
3 months	1.10 - 1.08pm	1.07 - 1.05pm
12 months	3.97 - 3.90pm	3.77 - 3.70pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Irish Punt	0.808996	0.799778	-1.26	1.88	51
Spanish Peseta	142.150	140.834	-0.93	1.55	18
Dutch Guilder	2.20045	2.19141	-0.41	1.01	14
Belgian Franc	40.2802	40.1359	-0.36	0.96	11
Portuguese Escudo	180.624	180.314	-0.17	0.77	3
D-Mark	1.95294	1.95041	-0.13	0.73	0
Danish Krone	7.44934	7.48243	0.44	0.15	-26
French Franc	6.54988	6.58685	0.59	0.00	-41

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

	£	$
Korea(Sth)	1208.10 - 1225.50	792.60 - 798.80
Kuwait	0.46190 - 0.46280	0.30130 - 0.30180
Luxembourg	50.65 - 50.75	32.90 - 33.00
Malaysia	3.9470 - 3.9570	2.5755 - 2.5765
Mexico	4.7430 - 4.7460	3.0920 - 3.0940
N.Zealand	2.8380 - 2.8420	1.8500 - 1.8525
Saudi Ar	5.7460 - 5.7575	3.7495 - 3.7505
Singapore	2.4820 - 2.4880	1.6205 - 1.6215
S.Af (Cm)	4.8725 - 4.8835	3.1805 - 3.1825
S.Af (Fn)	7.4800 - 7.5050	4.8825 - 4.8925
Taiwan	39.80 - 39.95	25.95 - 26.05
U.A.E.	5.6265 - 5.6395	3.6715 - 3.6735

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.539	2.462	171.0	8.317	2.260	2.767	2351	1.931	50.70	177.9	1.264
$	0.650	1	1.600	111.1	5.404	1.468	1.798	1528	1.255	32.94	115.6	0.821
DM	0.406	0.625	1	69.46	3.378	0.918	1.124	954.9	0.784	20.59	72.26	0.513
YEN	5.848	9.000	14.40	1000.	48.64	13.22	16.19	13749	11.29	296.5	1040	7.392
F Fr.	1.202	1.850	2.960	205.6	10.	2.717	3.327	2827	2.322	60.96	213.9	1.520
S Fr.	0.442	0.681	1.089	75.66	3.680	1	1.224	1040	0.854	22.43	78.72	0.559
N Fl.	0.361	0.556	0.890	61.80	3.006	0.817	1	849.7	0.698	18.32	64.29	0.457
Lira	0.425	0.655	1.047	72.74	3.538	0.961	1.177	1000.	[illegible]	21.57	75.67	0.538
C $	0.518	0.797	1.275	88.59	4.307	1.170	1.433	1218	1	26.26	92.13	0.655
B Fr.	1.972	3.036	4.856	337.3	16.40	4.458	5.458	4637	3.809	100.	350.9	2.493
Pta	0.562	0.865	1.384	96.12	4.675	1.270	1.555	1322	1.085	28.50	100.	0.711
Ecu	0.791	1.218	1.948	135.3	6.580	1.788	2.189	1860	1.526	40.11	140.7	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

Strike / Calls / Puts

Strike	Calls May	Calls June	Calls September	Puts May	Puts June	Puts September
116	-	-	2.67	0.03	0.11	0.48
117	-	1.37	-	0.04	0.24	-
118	0.37	0.68	-	0.19	0.54	1.14
119	0.07	0.28	0.80	-	-	1.70
120	-	0.08	0.47	-	-	-
Open Int	22,066	159,621	109,575	11,109	135,765	83,446

Estimated volume 37,438 † Total Open Interest 530,490
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5395	1.5359	1.5287	1.5181	1.4985

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

France cuts two rates

FRENCH FRANC futures rose modestly yesterday after the Bank of France cut its intervention rate for the first time in five months, *writes James Blitz.*

The French authorities cut their intervention rate, which sets the floor for money market rates, from 9.10 per cent to 8.75 per cent. *This was the first time that the intervention rate* had been cut since November 12 last year.

The French authorities, also cut the 5-10 day *lending rate*, which sets the ceiling for money market rates, from 10 per cent to 9.75 per cent.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

The move, which was announced before European markets opened yesterday morning, triggered an immediate rise in French franc futures prices. The June contract, which closed at 91.76 on Friday night, opened at 91.87, peaked at 91.94 and closed at 91.89.

The cost of borrowing funds in the French franc cash market also fell back. Three-month French cash closed at around 8.63 per cent, having finished at around 9 per cent last Friday night.

Dealers are clearly bullish about the prospect of more cuts in French rates before the summer, believing it will soon be followed up with more easing.

The June Pibor contract was last night pricing 3-month money at 8.08 per cent, some 60 basis points below the level of 3-month cash.

The French franc's strong performance in the wake of the *cut has also* further reduced the premium required by dealers for holding French francs over D-Marks. The differential between 3-month German and French cash yesterday was down to 73 basis points. At the height of the crisis in the exchange rate mechanism, it was as high as 400 basis points.

Some dealers were also assuming yesterday that the cut in French rates might herald further easing in the Bundesbank's official rates. The June Euromark contract rose some 3 basis points on the day to close at 92.74.

Nevertheless, *reasons remain* for being cautious about predicting further rate declines in Europe.

Sterling markets were quiet after last week's reduced expectations of a base rate cut.

Three-month rates closed softer at 6 per cent from a previous $6\frac{1}{16}$ per cent. The June short sterling contract closed down 1 basis point on the day at 93.92.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.19)	3 months US dollars		6 months US Dollars
bid $3\frac{1}{8}$	offer $3\frac{1}{4}$	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.95	Three year	4.20
Broker loan rate	5	Two month	2.89	Five year	5.08
Fed.funds	3	Three month	2.90	Seven year	5.52
Fed.funds at intervention	-	Six month	3.06	10-year	5.90
		One year	[illegible]	30-year	6.76
		Two year	3.79		

Apr.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.15-8.25	8.10-8.20	7.95-8.05	7.85-7.95	7.40-7.80	9.00
Paris	[illegible]	[illegible]	-	[illegible]	-	8.75
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	7.87-7.90	7.85-7.90	-	7.62-7.57	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	[illegible]	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

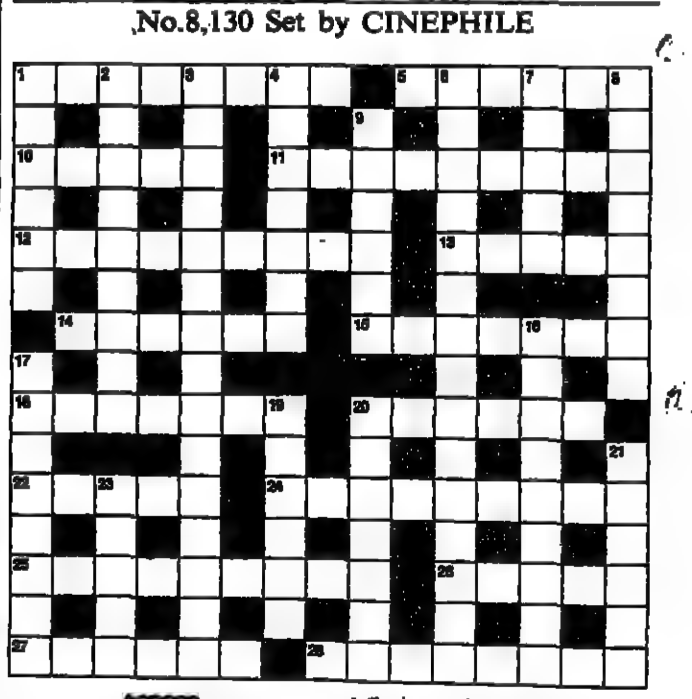
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,130 Set by CINEPHILE



ACROSS

1 Treat associate of Persian cat following one inside (8)
5 Russian money for kings, including exporters of oil (6)
10 Automatic saw? (5)
11 Something neglected in supervision (9)
12 Sounding nasal and breathless? You need a port with a lido, perhaps (9)
13 Discharge from chamber, we hear (5)
14 Leave car at home to get cake (6)
15 Purpose of punishment? (4,3)
18 Call to God, Latin American, very ugly (7)
20 Deeds of thingamubob (6)
22 Man of Madras, maybe, with follower outside his capital (5)
24 Carpet laid across church? (9)
25 Six point five sleep on pole (4-5)
26 Ape takes a lot of fruit (5)
27 Country bird (6)
28 Asking to change a rug? (8)

DOWN

1 Start of Monday morning, bad start for animal (6)
2 Jazz from cauldron country? (9)
3 Business with stammering religious man at present on the shelf is no secret (6,9)
4 Curious – in most of a river it is under a foot (7)
6 Comment on letters from coign of vantage? (11,4)
7 Bird of prey below par or standard (5)
8 Bird of prey with money for standard (4,4)
9 Shout "a length in front!" (6)
16 Boxing match: put money on in attempt to recover (5,4)
17 Gossip is a snag in a pet (8)
19 South African country, mostly, part of poem (6)
20 Note: little time to leave singer (7)
21 Monster to seem interminable? (6)
23 Moral order in gum (5)

Solution to Puzzle No.8,129

W	I	C	K	E	T		B	R	A	C	E	L	E	T
I		R		L				E		O		O		H
N	E	E	D	B	E		P	A	R	A	D	I	S	E
D		S		O		G		R		L		R		A
B	A	C	K	W	A	R	D		E	F	F	E	C	T
A		E		S		O		S		I				R
G	A	N	G		C	U	S	T	A	R	D	P	I	E
		D		S		N		I		E		E		
D	R	O	P	P	E	D	O	F	F		A	N	T	E
R				I		S		F		S		N		X
E	S	T	A	T	E		D	E	M	O	L	I	S	H
S		R		E		G		N		N		L		A
S	T	U	D	F	A	R	M		G	A	T	E	A	U
E		C		U		I				T		S		S
S	T	E	A	L	I	N	G		B	A	S	S	E	T

WORLD STOCK MARKETS

AUSTRIA

April 19	Sch	+ or –
Austrian Airlines	1,505	+20
Creditanstalt Pf	636	+7
EA General	3,383	+8
EVN	793	+4
Lenzing	580	+14
OeMv	578	+8
Perlmooser Zement	980	...
Radex Heraklith	308	+2
Reiningshaus Brue	1,285	+14
Steyr Daimler	174	-1
Veitscher Magnesit	224	+5
Verbund (Br) A	432	+1
Vienna Int Airport	497	+9
Wienerberger	3,005	+25
Z-Laenderbank	1,026	—

BELGIUM/LUXEMBOURG

April 19	Frs.	+ or –
AG Group	2,550	-10
Ackermans	3,130	-5
Almanij	7,270	+10
Arbed	2,730	+10
BBL	3,670	-10
Bank Intl a Lux	12,000	+50
Banq Gen Lux Pts	17,400	+25
Banque Nat Belg	33,500	-25
Bekaert	14,800	+25
CBR Ciment	8,880	-20
CMB	1,785	+5
Cobepa	4,750	-60
Cockerill Priv	118	+3
Colruyt	6,140	+40
Delhaize Frs Lion	1,182	-8
Electrabel	6,240	-10
Electrabel AFV1	6,110	...
Electrafina ACT	2,665	-5
GBL	3,695	-5
GBL AFV 1	3,575	+15
GIB Group	1,282	-8

FRANCE

April 19	Frs.	+ or –
AGF	625	-1
Accor	662	-7
Air Liquide	770	+2
Alcatel Alsthom	670	-5
Axa	1,333	-2
BIC	1,061	+1
BSN	943	-2
BNP Cert Inv	556	-4
Bancaire Cie	445.60	-13.30
Bongrain	2,825	-31
Bouygues	675	-12
CGIP	1,101	-9
Canal+	1,282	-12
Cap Gemini S	198	-.80
CarnaudMetalbox	207.50	+1.60
Carrefour	2,880	+12
Casino	144	-6
Chargeurs	1,142	-49
Club Mediterranee	372.40	-4.10
Cogifi	396	...
Coparex Int	551	...
C C F	243	-5
Cr Fonc France	1,139	-29
Cred Lyon (CI)	630	-10
Credit Local Fr	433.90	+.30
Credit National	1,290	-12
Damart	3,590	-100
Docks de France	490	+3
Dollfus Mieg Cie	287	-3
EBF	733	+3
Eaux Cie Genl	2,309	-36
Ecco	418	...
Elf Aquitaine	358.20	-2.30
Elf Aquitaine Certs	303	+2.90
Elf Sanofi	978	-3
Eridania B-Say	726	+1
Eridania B-Say CI	591	+14
Essilor Int	442	-10
Etex	2,205	-35
Eurafrance	1,650	+15
Euro RSCG	472	-16.50
Euro Disney	81.60	-2.80
Fin Poliet	495.10	...
Finextel	138	+1
Fonc Lyonnaise	675	+1
Fromageries Bel	3,950	+100

GERMANY (continued)

NETHERLANDS

SWEDEN (continued)

SWITZERLAND

DENMARK

FINLAND

ITALY

NORWAY

SPAIN

SOUTH AFRICA

GERMANY

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close April 19

MONTREAL

4 pm close April 19

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

TOKYO - Most Active Stocks

Monday April 19 1993

	Stocks Traded	Closing Prices	Change on day
Sumitomo Mtl Min	25.0m	880	+30
Hitachi Zosen	5.2m	558	+20
Nippon Steel	5.2m	385	-5
Olympus Optical	3.4m	1,300	+50
Mitsui Min & Sml	3.4m	524	+9
NEC Corp	3.3m	940	-20
Nippon Oil	3.2m	784	+15
Mazda Motor	3.2m	587	-14
Fujitsu Ltd	2.8m	720	-10
Nippon Comsys	2.8m	1,340	+30

4 pm close April 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
13¾	11½	AAR Corp	0.45	3.6	23	60	12⅞	12¾	12¾	-⅛
27¼	20	A L Labs A	0.18	0.8	35	494	22¼	21½	22	-1
61⅛	54⅝	AMP Inc	1.60	2.6	22	3388	60¾	59⅞	60¾	+¾
70¼	55½	AMR			10	6030	68¾	66¼	68⅝	-2
2	1⅜	ARX			11	98	1⅞	d1¾	1⅞	+⅛
42½	29⅞	ASA	2.00	5.0	26	259	40¾	39¾	39⅞	-⅛
30¾	22⅝	Abbott Lab x	0.68	2.6	17	13997	26½	25	26⅛	+⅞
12⅝	10¾	Abitibi Pr x	0.50	4.3	3	14	11½	11½	11½	+⅛
11⅞	10¾	ACM Gvt In x	0.88	8.4		149	u11⅞	11¾	11⅞	
9¾	9⅛	ACM GvOpp x	0.78	8.5		283	9⅜	9¼	9¼	-⅛
9⅝	8¾	ACM Gvt Sp	0.78	8.3		393	9½	9⅜	9½	
11⅞	10½	ACM Gvt Sc x	0.96	8.6		231	11¼	11⅛	11⅛	+1/16
10⅞	9⅝	ACM Man x	1.08	10.2		78	10¾	10⅝	10⅝	-⅛
9⅝	8⅝	ACM Managd x	0.72	7.9		64	9⅛	9	9⅛	
8⅞	7¾	Acme Cleve	0.40	4.8	17	33	8⅜	8¼	8⅜	
9¼	6½	Acme Elect			750	35	7½	7⅛	7½	+⅜
16	12⅛	Acuson			12	829	13	12⅝	13	+⅜
22¼	19⅝	Adams Expr	0.48	2.3	1	24	21⅛	20⅞	21	
55	45½	Ad Micro	3.00	5.2		1648	u58½	56⅞	58	+5¾
28	17⅝	Ad Micro P	3.00	10.8	12	40778	u28¼	27¼	27⅞	+3¾
7¾	5½	Advest Grp	0.16	2.2	14	80	7¼	7	7⅛	
49⅝	41⅛	Aegon ADR	1.35	2.9	8	218	46¾	46½	46⅝	+¼
53¾	43⅞	Aetna Lf	2.76	5.3	107	929	51⅞	51⅛	51⅞	+⅞
14½	11½	Affil A	0.28	2.1	30	2028	12⅝	12¼	12¼	
38⅝	33	Aflac	0.44	1.2	16	1111	38½	37⅝	37⅞	+⅛
22⅛	17¼	Ahmanson	0.88	4.8	15	2031	18¾	18⅛	18¼	-⅜
7¾	4⅝	Aileen Inc			21	277	6¼	6	6	+⅛
48½	40⅞	Air Pr Chm	0.86	2.0	17	2919	44⅞	43¼	43¾	-1¼
24¼	18⅛	Airborne Frt	0.30	1.3	195	518	23⅝	23⅜	23½	-¼
26½	18¾	Airgas Inc			34	261	25⅞	25½	25⅝	-¼
14¼	10½	Airlease	1.60	12.7	10	107	12⅝	12⅝	12⅝	-¼
105	101	AlaPw8.16	8.16	8.0		5	104	104	102½	
106½	102½	Alab 8.28C	8.28	8.0		11	104	103½	104	
18	15⅝	Alaska Air	0.20	1.2	2	611	17¼	16½	16½	-¾
16⅞	14¼	Albany Int	0.35	2.2	147	98	16¼	16⅛	16¼	
28¼	23½	AlCulvr B	0.26	0.9	21	110	u28¼	27⅞	28¼	+¼
25¼	21⅞	AlCulvr A	0.26	1.0	18	219	u25¼	24¾	25¼	+¼
57⅞	48¾	Albertsons	0.72	1.3	26	909	55¼	54½	55	+⅛
19¾	16⅞	Alcan Alum	0.30	1.6	30	5830	18¾	18¼	18⅜	-⅛
48½	35¾	Alco Stand	0.96	2.1	19	837	47⅜	46½	46¾	-⅞
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50⅜	40¼	Barnett Bk	1.32	2.8	23	1304	47⅞	46⅝	47	-¼
8¼	5⅛	Baroid	0.20	2.5	32	679	7⅞	7⅞	7⅞	+⅛
7⅜	4⅞	Battle Mt	0.10	1.5	15	1003	7	6⅞	6⅞	
57½	49⅞	Bausch Lmb	0.88	1.8	17	1862	50¼	d49⅝	49¾	-½
32¾	27⅛	Baxter	1.00	3.4	14	7203	29½	28¾	29	-⅝
29	24⅞	Bay St Gas	1.38	4.9	16	51	28⅝	28⅛	28⅛	-½
25	22	Bd Tr 1838	1.82	7.4		17	24⅝	24½	24½	-⅛
20¾	15¾	Bear Strns	0.60	2.9	7	10648	u20¾	20½	20⅝	
48	45½	BearStPfA	2.77	5.8		z100	47	47	47½	+¾
24¾	20½	Bearings	0.64	2.6	125	39	24½	24⅛	24½	+⅛
25½	21½	Beckman In	0.36	1.7	13	1782	22	d21	21	-1
40¾	32⅝	Becton Dks	0.66	1.9	13	3824	34⅞	34¼	34¼	-⅝
35	29⅜	Belding Hy	0.64	2.2	24	48	29¾	d29⅝	29⅝	-⅛
56¾	49⅝	Bell Atlan	2.68	4.9	16	2180	54⅞	53¾	54⅝	-⅛

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NYSE COMPOSITE PRICES

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AMEX COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

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FREEPORT-
McMoRAN

FINANCIAL TIMES Tuesday April 20 1993

AMERICA

Intel declines sharply after court ruling

Wall Street

US share prices fell across the board yesterday morning, bringing the main indices down from the record highs achieved at the end of last week, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 18.64 at 3,459.97. The more broadly based Standard & Poor's 500 was down 2.97 at 445.97, while the Amex composite was 0.95 lower at 418.97.

The Nasdaq composite fell 6.21 to 660.65 after a huge fall in Intel shares. Trading volume on the NYSE was 144m shares by 1 pm, and declines outnumbered rises by 1130 to 641.

Prices opened weaker, which did not surprise analysts. The Dow had advanced to a record close on Friday, but the gains were primarily a result of trading related to the monthly expiration of options contracts. Analysts noted that it is quite common for stocks to reverse direction on a Monday morning after an options-expiration rally in the previous session.

Although first quarter corporate earnings continued to pour in, affecting a number of issues, the spotlight was focused yesterday on technology stocks after a landmark court ruling by a federal judge on Friday.

The judge's decision to set aside the verdict reached last year in a copyright dispute between Advanced Micro Devices and Intel means AMD can now begin manufacturing a clone of Intel's top-selling 486 microprocessor chip while the two companies await a new trial.

News of the judgment sparked heavy and at times frantic trading in both issues. AMD jumped $4 to $28¼ in volume of 3m shares, while Intel, which is traded on the Nasdaq electronic market, plunged $11¾ to $98¼ in volume of 12.5m shares.

The 486 chip that AMD will beging cloning accounted for a substantial portion of Intel's $2bn in first quarter revenues.

Chrysler fell $1¾ to $42 in volume of more than 2m shares in spite of news of first quarter profits that came in ahead of market expectations. Analysts put the decline down to profit-taking.

Leading airline stocks fell after Northwest Airlines fired the latest salvo in the fierce domestic price-cutting war when it slashed fares on some domestic and selected trans-Atlantic routes by as much as 35 per cent. UAL dropped $3 to $142¾, AMR gave up $2 at $66¾ and Delta lost $1⅞ at $56½.

Wal-Mart rose $1⅛ to $26¾ in volume of 2.5m shares as the retailing group rallied from its recent losses, which were spurred primarily by disappointing sales forecasts for 1993.

Chase Manhattan fell $1⅞ to $35 after the banking group said that it planned to raise $750m through a stock offering.

Canada

TORONTO eased slightly at midday, weighed down by the losses on Wall Street, but brisk buying of Canadian forest product stocks was noted. The TSE-300 index fell 7.06 to 3,644.80 in volume of 41m shares.

Active losers included Cott Corp, which slumped C$3¾ to C$38¾ after press comment which said that recent earnings estimates were aggressive.

SOUTH AFRICA

Shares closed lower in slow, cautious trade after a day dominated by the funeral of Mr Chris Hani and an extensive work boycott. The overall index lost 5 to 3,558, industrials shed 34 to 4,333 but golds picked up 5 to 1,208.

EUROPE

Paris falls in spite of further interest rate cut

POLITICAL upheaval or the prospect of it vied with interest rate hopes in moving bourses yesterday, *writes Our Markets Staff.*

PARIS was largely unmoved by a further easing in intervention rates, prefering instead to concentrate on comments made by Mr Edouard Balladur, the prime minister, on Sunday in which he said that taxes, which he did not specify, may have to be raised in order to cut the budget deficit. The CAC-40 index closed 17.78 lower at 1,968.91 in thin turnover of some FFr2.2bn.

Mr Andrew Shepherd-Barron, analyst at Kleinwort Benson, said that investors were looking for further interest rate cuts if the historically strong start to the year was not to peter out. However, he added, with the rate differential between France and Germany now at 60 basis points further cuts domestically were effectively ruled out until the Bundesbank moved once again.

Both Eurotunnel and Euro Disney featured heavy trading as the former delayed completion of the project and cut its revenue projection for 1994 and the latter was hit by further negative press articles and fears of higher staff costs. Eurotunnel closed off FFr1.30 or 3.4 per cent at FFr37.35 while Euro Disney lost FFr2.80 to FFr81.80.

Lafarge was another heavy loser, down FFr6.40 at FFr357.60, after announcing that it was making a Pta36bn share swap bid for full control of Asland, Spain's second biggest cement group, in which it has a 54 per cent stake.

MILAN maintained the higher trend established early in the session as exit polls published after the close of voting in the electoral reform referendum confirmed that the country was in the mood for change.

The Comit index rose 12.12 or 2.36 per cent to 525.38 as exit polls showed 83 per cent of voters in favour of reform.

"For the first time, investors can start looking at Italy on the fundamentals rather than having to absorb an unnecessarily high political risk," said Mr Nicholas Potter at Credito Italiano International in London. "At last the door has been opened whereby tangible progress can be made towards a new style of government, within a sensible time table."

Generali, helped by buy recommendations from London brokers, rose L700 or 1.9 per cent to fix at L36,600 before adding a further L600 after hours. Fiat rose L159 to fix at L6,410 before rising to L6,610 after hours amid signs that it may voluntarily co-operate with magistrates investigating the country's political corruption scandal.

FRANKFURT fixed upon the French repo rate move to speculate that the Bundesbank will make significant interest rate cuts on Thursday. The DAX rose 14.45 to 1,693.30, turnover climbing from DM4.8bn to DM6.1bn.

Foreign orders, and short-covering on the DTB futures market were reported for VW, Mannesmann and Veba, up DM5.80 to DM323.50, DM5.20 to DM265.70 and DM6.20 to DM394.20 respectively. Veba was also boosted by speculation that its PreussenElektra subsidiary might be floated on markets. The subsidiary denied the speculation.

A fall in profits at the specialty chemicals company, Henkel, left it DM4 lower at DM542.50.

AMSTERDAM was in a positive mood with a rise in the CBS Tendency index of 0.9 to 110.6. There was interest in cyclical stocks with Akzo putting on Fl 2.00 to Fl 157.30 while ING, which saw an intraday 12-month high, closed up 10 cents at Fl 67.70.

MADRID cleared the 240 level, the general index closing 4.29 higher at 244.12 on anticipation of a Bundesbank move. Turnover put on nearly 50 per cent, rising from Pta14.3bn to Pta21.3bn

Construction stocks, strong last week on a Pta658bn plan to divert water resources to the south, climbed again on the bid from the French group, Lafarge, for the cement company, Asland.

ISTANBUL took fright at the prospect of political upheaval after President Turgut Ozal's sudden death on Saturday and prices plunged by 10.45 per cent. The market index fell 767.23 from Friday's record high to 6,574.14, having rebounded during the last half hour from a day's low of 6,502.

The sharp fall was also attributed to a correction after the bull run which had taken the index up 25.19 per cent since April 1, posting eight record high closes on the way.

Mr Stuart Harley of Schroders in London noted that the fundamentals responsible for this month's upward surge – a positive corporate outlook, a liquid lira and bank plans to set up equity-based mutual funds – had not changed and he expected the market to pick up again as soon as the political uncertainty was resolved.

OSLO edged higher, with the central bank's trimming of the overnight lending rate by 25 basis points to 8.25 per cent coming after the close. The all-share index finished 4.11 higher at 450.66. HELSINKI also benefited from lower rates with a rise in the HEX index of 18.8 or 1.7 per cent to 1,079.4.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

April 19 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1166.43	1167.33	1167.85	1168.40	1168.83	1166.07	1165.54	1164.59
FT-SE Eurotrack 200	1224.08	1224.55	1225.82	1226.28	1226.28	1224.19	1222.46	1221.99

	Apr 16	Apr 15	Apr 14	Apr 13	Apr 8
FT-SE Eurotrack 100	1159.61	1156.40	1160.63	1157.54	1151.40
FT-SE Eurotrack 200	1217.23	1220.62	1223.50	1220.72	1211.26

Base value 1000 (26/10/90) High/day: 100 - 1168.91; 200 - 1228.66 Low/day: 100 - 1164.59 200 - 1221.21.

ASIA PACIFIC

Nikkei eases as Singapore hits another record high

Tokyo

BUYING from government-managed public funds and arbitrageurs failed to offset the day's losses entirely, as the yen's appreciation against the dollar prompted profit-taking and kept investors cautious, *writes Wayne Aponte in Tokyo.*

The Nikkei average of 225 issues lost 185.52 at 20,112.34, after trading between a session low of 19,890.47 and an opening high of 20,254.09. The Topix index of all first section stocks shed 11.53 to 1,553.57, and in London the ISE/Nikkei 50 index eased 3.76 to 1,215.80.

Volume on the first section languished at an estimated 370m shares, down from Friday's 561m, and declines led rises by 771 to 268.

Investors held the sidelines before the Bank of Japan intervened to stabilise the yen's rise beyond Y111 to the dollar. Mr Bill Clinton, the US president, mentioned a stronger yen as one strategy to cut Japan's trade surplus, following a meeting on Friday with Mr Kiichi Miyazawa, the Japanese prime minister, in Washington.

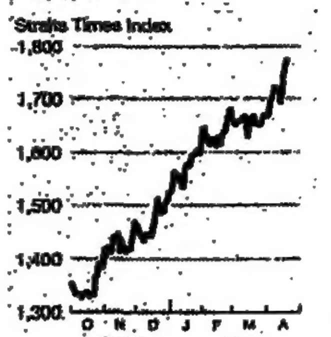
In spite of the session's low turnover, Mr Isao Takahashi, senior manager of equity trading at James Capel Pacific, predicted that more institutional investors will enter the stock market in the short term since the 20,000 level served as a firm support to this session and because some market participants had missed out on last week's rally. He added, however, that the Nikkei's upside is limited to around the 21,500 mark due to a lack of fundamental incentives.

The strengthening of the yen pressured exporting issues. Sony weakened Y90 to Y4,770 and TDK, the world's largest manufacturer of magnetic tapes, fell Y90 to Y3,980.

Sumitomo Metal and Mining, the most active stock for the third consecutive trading session, climbed Y30 to Y980 as gold and platinum prices maintained high levels.

In Osaka, the OSE average shed 174.76 to 21,810.07 in volume of 20.3m shares.

Singapore



Source: FT Graphite

Roundup

PACIFIC Rim markets moved in widely divergent directions.

SINGAPORE continued its record run, closing at a fourth consecutive all-time high, although some profit-taking was evident during the afternoon. The Straits Times Industrial index rose 8.67 to 1,772.02, supported by institutional and retail buying, in volume of 403.4m shares. Prices peaked at an intraday record of 1,781.39.

SEOUL closed at its highest level for 20 months after individual investors actively bought financial shares in the wake of recently lowered interest rates. The composite index added 13.46 at 725.76. Turnover came to Won880bn, after Won471.6bn in Saturday's half-day session.

The market sustained a firm note established early in the session with buying of high-technology related shares. The buying spree then spread to the financial sector as steelmakers and carmakers took a rest from recent steep rises.

KARACHI, by contrast, dived to its lowest level since November 1991 after President Ghulam Ishaq Khan sacked the reformist Prime Minister Nawaz Sharif. The 100-share index lost 36.98 to 1,069.79.

Mr Daniel Smaller, head of emerging markets at Lehman Brothers in London, said the market had fallen about 7 per cent over the last month as political worries grew. Mr Muddassar Malik, director of BMA Capital Management in Karachi, added that, while political uncertainty was likely to continue for the next couple of months, economic fundamentals remained strong with no shift in direction expected from a new administration.

HONG KONG saw profit-taking among bank shares. The Hang Seng index lost 17.0 at 6,680.15, after rising to 6,709.38. Turnover fell to HK$4.0bn from HK$4.53bn as investors became cautious ahead of the Sino-British talks on the colony's future, which begin on Thursday.

AUSTRALIA eased as investors took profits, the All Ordinaries index closing 6.8 off at 1,696.4 in turnover of A$221.4m. Broker JB Were commented that falling bond yields and a cut in corporation tax, which has added some 7 per cent to eps expectations for 1993/94, have contributed to the 8.6 per cent rise in the index over the last quarter.

KUALA LUMPUR's inexorable advance continued, the composite index gaining 2.93 at 664.95, after reaching 665.48.

Some analysts maintained that the market would consolidate this week after strong gains over the previous fortnight. Turnover remained very high, at M$1.4bn.

TAIWAN recouped some of last week's losses on bargain hunting but some brokers said investors remained unsettled because of the possibility of the US imposing trade sanctions in the near future. The weighted index rose 86.40 to 4,577.48 in T$33.5bn turnover.

BOMBAY turned lower in thin trading and the BSE index shed 38.63 to 2,261.15.

Excitement in Hong Kong, Ireland

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-2.09	-5.58	-18.49	+0.40	-0.59	+0.23
Belgium	-0.02	+0.81	+8.19	+14.69	+13.76	+14.69
Denmark	+2.76	+4.11	-12.30	+12.40	+12.95	+13.89
Finland	-0.06	+6.12	+38.63	+29.39	+19.85	+20.84
France	+0.09	+1.50	+1.49	+9.13	+9.68	+10.56
Germany	+1.63	-0.57	-5.85	+10.29	+9.79	+10.70
Ireland	+5.09	+8.56	+12.96	+34.20	+23.99	+25.02
Italy	+0.53	+5.66	+10.64	+20.34	+14.05	+15.00
Netherlands	+1.17	+0.77	+7.87	+12.36	+11.86	+12.79
Norway	-0.62	-1.73	-3.83	+10.81	+11.19	+12.11
Spain	+1.71	+1.15	-3.49	+12.54	+9.42	+10.33
Sweden	+0.18	-1.09	+10.78	+4.86	-2.13	-1.32
Switzerland	-0.98	-0.61	+15.18	+5.25	+3.65	+4.50
UK	+0.20	-2.59	+8.11	+0.34	+0.34	+1.17
EUROPE	+0.46	-0.58	+4.75	+6.24	+5.39	+6.26
Australia	+2.55	+1.24	+5.04	+9.62	+13.32	+14.26
Hong Kong	+6.43	+9.72	+26.37	+20.57	+19.75	+20.74
Japan	-0.25	+10.17	+18.26	+18.80	+30.64	+31.71
Malaysia	+1.97	+6.73	+29.96	+12.72	+13.27	+14.20
New Zealand	+1.12	-1.43	+9.13	+4.15	+8.17	+9.07
Singapore	+2.03	+5.04	+13.05	+8.74	+8.81	+9.71
Canada	+1.02	-0.12	+0.90	+5.78	+5.95	+6.83
USA	+1.61	-0.19	+8.25	+2.92	+2.08	+2.92
Mexico	-1.24	+5.41	-4.18	-1.19	-0.95	-0.13
South Africa	-1.30	+1.66	+4.23	+11.23	+10.22	+11.12
WORLD INDEX	+0.82	+2.84	+9.90	+8.55	+10.75	+11.67

† Based on April 16th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

By William Cochrane

Last week featured bullishness in the US, sheer excitement in Asia and a reward for economic consistency in Ireland. A 1.6 per cent gain in the US was the main reason why the FT-Actuaries World index rose by 0.8 per cent in local currency terms.

In New York, share prices began by moving higher in tandem with government bonds as consumer and producer prices data allayed fears that inflationary pressures had been building up in the economy. Last Friday, bonds declined but equities rose again, pushed up this time by company results.

Hong Kong had its best gains on Tuesday and Wednesday, domestic trading bracketing a surge in London on the resumption of Sino-British talks on the colony's future. Share indices and turnover both hit record levels before easing back towards the end of the week.

In Europe, Ireland's 5.1 per cent advance on the week left it with the best performance in the FT-Actuaries World Indices this year, a rise of 34.2 per cent in local currency terms.

The gains began in anticipation of a further interest rate cut last Friday. When this actually transpired, it was the seventh reduction in eight weeks, following the punt's devaluation in January, and subsequent cuts in German interest rates. In addition to the interest rate prospects, the market had indications of improved cash flow at domestic institutions, the placing of the government's 55m shares in Irish Life and a US bid for Fyffes, the fruit wholesaler.

On prospects, Mr Robbie Kelleher, head of research at Davy Stockbrokers in Dublin, thinks that the market is still attractive on a strategic time frame, valued at 15¼ times earnings for 1992 and a prospective 13½ p/e for 1993. In London, Mr Adrian O'Carroll at Dillon Read reckons, however, that significant undervaluations in the big blue chips have disappeared, and that attention will turn to second line stocks from now on.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY APRIL 16 1993								THURSDAY APRIL 15 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	142.96	-0.5	138.64	101.75	119.92	132.64	+0.0	3.72	143.67	137.73	102.60	119.70	132.68	144.19	117.39	145.67
Austria (18)	140.48	-2.6	136.44	99.99	117.84	117.86	-1.5	1.93	144.24	138.28	103.21	120.17	119.72	150.96	131.16	166.80
Belgium (42)	152.80	-1.6	148.41	108.75	128.18	125.29	-0.4	4.51	155.29	148.87	111.11	129.37	125.80	156.76	131.19	136.99
Canada (110)	123.54	+0.7	119.98	87.92	103.62	112.62	+0.6	2.95	122.67	117.60	87.77	102.19	112.01	125.97	111.41	130.44
Denmark (33)	211.97	-0.6	205.87	150.87	177.81	178.53	+0.1	1.29	213.15	204.34	152.52	177.58	178.36	213.62	185.11	231.77
Finland (23)	84.12	-0.6	81.70	59.88	70.57	98.87	+0.1	1.26	84.61	81.11	60.55	70.49	98.82	85.59	65.50	75.42
France (98)	162.75	-0.9	158.07	115.83	136.51	139.20	-0.2	3.23	164.23	157.45	117.51	136.82	139.44	167.36	142.72	155.00
Germany (62)	115.17	-0.5	111.85	81.96	96.61	96.61	+0.2	2.20	115.72	110.94	82.81	96.41	96.41	116.86	101.59	118.27
Hong Kong (55)	267.52	-0.6	259.82	190.40	224.42	265.51	-0.8	3.48	269.24	258.11	192.65	224.32	267.21	270.95	218.62	211.55
Ireland (15)	169.75	-0.1	164.86	120.82	142.39	156.19	+1.0	3.35	169.84	162.82	121.53	141.50	156.67	170.40	129.28	159.24
Italy (73)	63.10	+1.4	61.28	44.91	52.93	72.66	+1.3	2.72	62.23	59.66	44.53	51.85	71.74	64.28	53.78	70.71
Japan (470)	138.34	-1.2	134.36	98.47	116.06	98.47	-1.7	0.85	139.96	134.18	100.15	116.62	100.15	141.84	100.75	97.14
Malaysia (69)	298.60	+0.2	290.01	212.52	250.47	296.87	+0.3	2.26	297.88	285.57	213.14	248.16	296.10	298.85	251.66	233.24
Mexico (18)	1645.69	-0.6	1598.35	1171.34	1380.49	5554.46	-0.9	1.08	1655.54	1587.13	1184.63	1379.30	5607.65	1725.81	1410.30	1729.26
Netherland (24)	170.76	-0.2	165.85	121.54	143.25	141.23	+0.4	3.92	171.15	164.08	122.47	142.59	140.61	172.75	150.39	152.74
New Zealand (13)	46.78	-0.1	45.43	33.30	39.24	46.15	+0.4	4.74	46.84	44.90	33.52	39.02	45.97	47.36	40.56	43.22
Norway (22)	154.38	-1.0	149.94	109.88	129.51	143.28	-0.3	1.84	155.92	149.47	111.57	129.90	143.64	158.26	137.71	168.10
Singapore (38)	234.07	+1.4	227.34	166.61	196.35	175.39	+1.3	1.92	230.90	221.36	165.22	192.37	173.12	234.07	207.04	203.11
South Africa (60)	164.57	+0.9	159.84	117.13	138.05	174.80	+1.1	2.88	163.18	156.43	116.76	135.95	172.98	178.48	144.72	228.23
Spain (45)	128.65	-1.1	124.95	91.57	107.92	113.89	+0.2	5.33	130.09	124.71	93.09	108.38	113.68	131.72	115.23	148.99
Sweden (36)	163.37	-0.9	158.67	116.29	137.05	181.76	-0.1	1.85	164.84	158.03	117.95	137.34	181.96	168.80	149.70	183.80
Switzerland (55)	118.09	-1.0	114.70	84.06	99.08	108.06	-0.1	2.02	119.29	114.36	85.36	99.40	108.12	121.49	108.91	97.98
United Kingdom (219)	174.37	-1.7	169.36	124.10	146.26	169.36	-0.5	4.07	177.47	170.14	126.98	147.85	170.14	179.22	162.00	184.49
USA (519)	183.30	+0.1	178.03	130.47	153.77	183.30	+0.1	2.77	183.05	175.49	130.99	152.52	183.05	186.27	175.38	169.33
Europe (765)	144.52	-1.1	140.37	102.87	121.24	132.64	-0.1	3.37	146.09	140.05	104.54	121.72	132.79	147.81	133.92	146.52
Nordic (114)	155.59	-0.8	151.11	110.74	130.52	151.27	-0.1	1.65	156.81	150.33	112.21	130.65	151.36	157.87	142.13	171.94
Pacific Basin (713)	142.24	-1.1	138.14	101.24	119.32	104.49	-1.5	1.14	143.75	137.81	102.86	119.77	106.08	145.00	105.89	102.74
Euro-Pacific (1478)	143.05	-1.1	138.94	101.81	120.00	116.40	-0.9	2.08	144.58	138.61	103.45	120.46	117.49	146.03	117.26	120.45
North America (629)	179.59	+0.2	174.42	127.84	150.67	178.51	+0.2	2.78	179.30	171.89	128.32	149.41	178.23	182.38	171.51	166.88
Europe Ex. UK (546)	125.79	-0.6	122.18	89.55	105.55	111.76	+0.1	2.91	126.57	121.34	90.59	105.48	111.62	128.23	112.51	123.81
Pacific Ex. Japan (243)	180.83	-0.3	175.63	128.73	151.70	164.37	-0.1	3.30	181.34	173.85	129.78	151.10	164.55	182.08	152.70	157.98
World Ex. US (1666)	143.52	-1.0	139.39	102.16	120.40	118.29	-0.9	2.09	144.95	138.96	103.73	120.77	119.31	146.39	118.51	123.05
World Ex. UK (1966)	154.10	-0.4	149.67	109.69	129.28	135.15	-0.5	2.18	154.75	148.35	110.74	128.94	135.78	155.77	134.22	133.31
World Ex. So. Af. (2125)	155.96	-0.6	151.47	111.02	130.84	137.98	-0.5	2.35	156.83	150.35	112.23	130.67	138.62	157.88	137.29	137.15
World Ex. Japan (1715)	166.93	-0.3	162.13	118.83	140.05	160.59	+0.0	3.00	167.41	160.49	119.80	139.50	160.51	168.09	157.47	160.40
The World Index (2185)	155.89	-0.5	151.41	110.96	130.79	138.31	-0.5	2.36	156.75	150.27	112.17	130.60	138.96	157.83	137.32	137.73

Latest prices were unavailable for this edition. Constituent deletion with effect April 20: Queens Moat Houses (UK).